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NATIONAL WEATHER—COMICS PAGE.

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In Mozambique

Rhodesia Attacks Two More Bases

By Robin Wright

SBURY, Rhodesia, May 30 (WP).—Rhodesian Army headannounced today that two more guerrilla bases in Mozambique been "overrun and destroyed" in a two-day ground and across the border.

more guerrillas have been killed, bringing the official death least 28, a military communiqué said. There have been lties among Rhodesian forces it added.

atest strike may have been the most significant action to date in terms of war material destroyed, which Rhodesian forces claim is their main objective. The loss of administrative bases also will be a serious setback for the insurgents.

Informed sources said here today that about 500 Rhodesian commandos and support troops, with air support, were involved in the operation that has destroyed three guerrilla camps along Mozambique's southwest border since the first strike yesterday morning.

Supply Base Hit

The raid today reportedly penetrated 60 miles into an area near Mapai, hitting what the communiqué described as "the terrorist headquarters and main supply base."

The base, which was the controlling center for all incursions into southeast Rhodesia, was destroyed, together with large quantities of weapons, ammunition, explosives and equipment, the statement said.

A Mozambique defense spokesman said today that Rhodesian forces also hit a location in northwest Mozambique near Chioco in Tete Province, about 50 miles from the Rhodesian border. The statement said that two fighter planes and a helicopter, which allegedly dropped napalm bombs on Chioco, had been shot down.

Rhodesia denied the claims. In the last punitive strike across the border in November, the Rhodesians admitted hitting several camps in one area of the country, but it was later learned that forces struck two parts of the country, in the north and south, including Chioco and Mapai.

Guerrilla Gangs

The raid was launched yesterday when security forces began tracking guerrilla gangs who have penetrated Rhodesia in increasing numbers in the last week, military sources claimed. A communiqué yesterday said that, as a result of information gained on the first attack, a followup operation was continuing. It is believed that Rhodesian forces are still in Mozambique.

It was the third "hot-pursuit" operation into Mozambique—the first two were in August and November last year, during which several hundred were killed. A fourth raid was conducted earlier this month into Botswana.

The strike was made while a four-member Anglo-U.S. consulting team is attempting to work out a new peace package to settle Rhodesia's 11-year-old constitutional crisis. The action is certain to lead to new condemnation from Mozambique and the liberation movements.

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e Is Assailed htist Paper

), May 30 (UPI).—Acof unfair tactics were Spain's election camay as the government legal action against politicians for slanderer top aide to Premier arez.

icks were made against Diaz de Rivera, a 35oman who was the Preef of staff since he asice 11 months ago. The ewspaper Alcazar said that Miss Diaz, who d to a lesser post two because of her involvea Socialist group, has n put under house arered not to leave Ma-

egation was a "slander" asy" originating from political groups, the office said today.

story did not clearly ad caused the purports against Miss Diaz. that the U.S. Central e Agency has collected n on her, but added state documents of any e passed through her

az lost her job as the g woman in the Spanistration May 13 after known that she had Popular Socialist parxist group that is an ival of Mr. Suarez's mocratic Union.

Coalition Favored

first free elections in re scheduled for June Suarez's coalition is win, according to the t polls.

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ier's office said today tegorically denies the ich are nothing more attempt at personal spread by some roup... The presithe government has rs to take the apion to deal with this inspired campaign of

said that the attacks were a "crude politirer" aimed not so utting her, but Mr. e also said that she her present post of iser to Mr. Suarez.

Basque region, meankidnappers of induster Ybarra Berge mailin his handwriting to he was still alive 10 his abduction. Mr. his family that he od health and they worry.

apparently contained e to the conditions for 's release.

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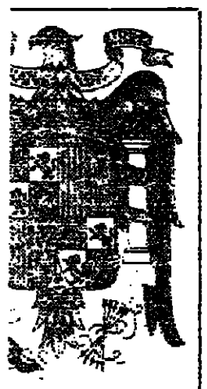


Focus n Spain

second half of tion appears a special ocus on Spain.

United Press International.

U.S. Secretary of State Cyrus Vance at the North-South conference in Paris yesterday.

If Your Yak Refuses Food, Brace Yourself

TOKYO, May 30 (UPI).—For those who worry about earthquakes, a Japanese scientist offers this advice: Keep a pet yak.

When the yak refuses to eat, begin earthquake countermeasures. A yak on a hunger strike may be a sign that a quake is only a few hours off.

Animals often do odd things before earthquakes, says Tsuneji Rikitake, a scientist at the Tokyo Institute of Technology who has just finished compiling 157 case histories of strange behavior of animals before big quakes in Japan, China and Europe during the last 300 years.

The yak, a Tibetan ox, is one of several animals that may be able to anticipate quakes, Mr. Rikitake writes. Cats, mice, caged birds and even tigers in zoos have histories of acting up before the ground begins to tremble.

North-South Talks Open

Vance Pledges U.S. Support For New Economic System

By James Goldsborough

PARIS, May 30 (IHT).—Following 18 months of often acid negotiations, the world's most prosperous nations laid out today their proposals on development, commodity support, aid and financing to the 19 developing nations at the North-South conference.

At the opening of the three-day ministerial session to end this phase of the conference, U.S. Secretary of State Cyrus Vance pledged U.S. support for a "new international economic system" and said that Washington no longer would simply follow along. "We will join with you in sharing the responsibility to lead," he said, calling for the North-South dialogue to continue.

Eight delegations representing 16 industrial nations spoke today to present the final positions agreed to during their talks here last week. The developing nations will respond tomorrow.

The initial reaction by the Group of 19, as it is known, was mixed. There was criticism of the lack of concrete proposals. But a spokesman for the Algerian delegation, which had been one of the most critical of the industrial nations 18 months ago, said that Mr. Vance's speech had been favorably received.

Mr. Vance's speech was also mixed, making clear by omission what Washington would not accept, such as price indexation for raw materials and a debt moratorium, but pledging support for a limited common fund for commodity-price support, $375 million in emergency aid for the poorest countries and an increase in capital for soft loans through the World Bank and subsidiaries.

But, above all, Mr. Vance appeared to be signaling the Carter administration's approach to this Conference on International Economic Cooperation, as it is technically known, with the more hesitant support given by the previous administration.

"I want you to know where my country stands," Mr. Vance said. "In recent years I know that some have come to question the motives of my country and to believe that we, as a rich and powerful nation, can only be addressed as though we were an adversary."

Equity, Growth, Justice

He said that the United States today stood for a new economic system built on "equity, growth and, above all, justice." But he added that it would take "painful adjustments, accommodations and sacrifices by all of us present here today."

Mr. Vance said that the administration would seek increased funds from Congress for foreign aid in the next five-year period, but he said that aid must be redirected.

"Too many of our transfers, too much of our aid has not been intelligently directed to the purposes and priorities which will really make a difference in people's lives," he said. "We will demand that this aid be effectively planned, delivered and administered."

He put a proviso on the $375

(Continued on Page 2, Col. 4)

Pakistan Opposition Gloomy As Crisis Talk Is Scheduled

ISLAMABAD, Pakistan, May 30 (Reuters).—The government of Pakistan announced today that it will open talks with opposition parties Friday on resolving the nation's 12-week-old political crisis.

Religious Affairs Minister Maulana Kausar Niazi said that the government would approach the talks "with an open mind and an open heart."

He declined to say whether the government would free imprisoned leaders of the nine-party opposition Pakistan National Alliance before the dialogue begins.

The opposition was less optimistic.

"Nothing will come out of the talks, you will see," Pir Pagaro, acting president of the PNA, said.

Mr. Maulana Niazi said the government would insure a congenial atmosphere for the talks. He said Prime Minister Zulfikar Ali Bhutto had ordered the release of Mrs. Naseem Wali Khan, the most prominent woman in the PNA and wife of jailed PNA leader Abdul Wali Khan.

He said that there were no preconditions for the dialogue and that all political problems were open for discussion, including the question of new general elections.

The crisis began after general elections last March when the PNA charged that Mr. Bhutto had obtained his landslide victory through massive rigging.

The opposition plunged the Moslem nation of 72 million persons into political turmoil by launching a campaign of mass agitation to try to force Mr. Bhutto to resign and hold a new election.

The agitation, which has subsided recently, has claimed at least 350 lives and caused damage estimated at more than $1 billion.

Three Reported Dead In Iranian Earthquake

TEHRAN, May 30 (Reuters).—Tremors that shook the Iranian-Turkish border area on Thursday killed at least three persons and injured nine, the official Pars news agency reported.

It said that the earthquake caused heavy damage in the Iranian villages of Makhmour and Ilchi in western Azerbaijan province. The quake had been reported previously as a series of light tremors without casualties.

But Dutch Are Wary

Moluccans Moderate Demand on Hostages

ASSEN, the Netherlands, May 30 (AP).—South Moluccan terrorists agreed today to release the hostages held for eight days in a train and school if they were allowed to fly to an undisclosed country, officials said.

The surprise offer came after a week of negotiations between Dutch officials and the gunmen, who at one time held about 165 men, women and children.

Officials said that the gunmen appeared to have dropped two earlier demands—that some of the hostages accompany them abroad and that 21 comrades jailed for previous terrorist acts be set free.

"The 21 prisoners are at this moment no issue because the topic has not been under negotiation in the last few days," said Toos Faber of the Justice Ministry.

Despite the apparent break in the impasse, another ministry official, Wim van Leeuwen, cautioned that "at this moment, we have not reached a situation where a workable solution is in sight."

He said that the South Moluccans, who want independence from Indonesia for their ancestral islands in the former Dutch East Indies, had "made difficulties" in earlier negotiations and "the problem is how seriously this offer is to be taken."

Mr. van Leeuwen said that the government would not accept any offer until the terrorists disclosed their destination. He said they first asked for a long-range jumbo jet but later said any aircraft would do.

Children Out of Danger

The drama began on May 23 when the gunmen, members of a militant faction of the country's 40,000-member South Moluccan community, seized a commuter train and the village school in Bovensmilde 10 miles away.

Last week, the terrorists freed all 105 school children after about half of them developed stomach ailments. Doctors at first thought some of the children may have contracted meningitis, but they said the last child showing signs of the illness was "free of fever and in good condition."

A hospital spokesman said that only seven children remained hospitalized, and they were expected to be released tomorrow or Wednesday.

While negotiations were under way, Dutch authorities tightened the noose around the terrorists, cutting the telephone line between the train and school, where three teachers and the principal are still being held, and stringing barbed wire around the school.

Mrs. Faber said that the decision to cut the line was made after technical problems developed on the train and the government was unwilling to send a repairman to fix it.

She said that the terrorists were prepared to permit the barbed wire because it kept out curiosity seekers who had annoyed them. She said the gunmen could still communicate with the nearby Moluccan community by hand signals and shouts. Authorities believe there are 55 to 57 hostages on the train.

The town's 1,200 Moluccans live within a few hundred yards of the school.

Authorities remain apprehensive over the health of a 23-year-old pregnant hostage, who was traveling to her doctor in Groningen when the train was seized.

Despite fears for the woman's health, officials believe conditions aboard the train may have improved, thanks in part to a cold wave that has dropped daytime temperatures from the 80s to the 40s.

The gunmen have allowed authorities to send in cleaning supplies and to remove garbage from the train. Although they have not allowed doctors or nurses aboard, a 24-year-old medical student who is a hostage has been receiving advice on sanitation and health by telephone from a Dutch Army psychiatrist, Dr. Henk Havinga, officials said.

Although there was no indication where the South Moluccans wanted to go, there were reports they might ask to be flown to Vietnam, which is not on good terms with the Indonesian government.

Coalition Maneuvering Goes On

Likud Formally Names Begin As Its Choice to Head Cabinet

JERUSALEM, May 30 (UPI).—The conservative Likud bloc today presented its leader, Menahem Begin, to President Ephraim Katzir as a potential prime minister, setting in motion the formalities for the installation of a new government.

Likud leaders said they discussed the shape of a Begin-led coalition government with Mr. Katzir.

One of them, Ezer Weizman, expressed confidence that the former opposition bloc will be able to set up a coalition with a stable majority of 61 seats in the 120-member Knesset (parliament).

The major prospective partner, the Democratic Movement for Change, scheduled a meeting for tonight to decide whether to continue coalition talks with the Likud. The DMC last Thursday broke off the talks in opposition to Mr. Begin's choice of Moshe Dayan as his foreign minister. The Likud yesterday endorsed its leader's choice of Mr. Dayan for the post.

A seven-man Likud delegation met with Mr. Katzir for an hour today to discuss coalition possibilities. The session was a necessary formality for all of the political parties that won seats in the Knesset in the May 17 election.

Won 43 Seats

Mr. Katzir is expected to choose Mr. Begin to form a government, because the Likud won a plurality of 43 seats in the election. He is expected to call in Mr. Begin on Sunday.

"We presented Mr. Begin as the potential prime minister and we discussed a few problems," said Mr. Weizman, 53, who has been designated by the Likud to be defense minister.

Mr. Begin, 63, was not present at today's meeting, having been ordered by his doctors to rest until June 13. He was released from a hospital yesterday after a six-day stay for treatment of a heart ailment.

"We are doing our best to form a government as soon as possible," Mr. Weizman said. "We'll form a government with over 60 seats."

The No. 2 leader of the Likud, Simha Ehrlich, said that the delegation "discussed coalition possibilities" with Mr. Katzir. "We would like to see as broad a coalition as possible," Mr. Ehrlich said.

A government that would include the more dovish DMC, headed by archaeologist Yigael Yadin, would give the rightist Likud a broader base.

The DMC won 15 seats, taking most of them from disaffected voters of the Labor party, which was ousted from power after ruling Israel for 29 years.

Mr. Weizman said that the Likud's bare majority of 61 of the 120 Knesset seats could be reached with a coalition of the National Religious party, with 12 seats; the Aguda religious party, with 4 seats, and Shlomzion, headed by reserve Maj. Gen. Ariel Asharon, with 2 seats.

A decision by the DMC to join the Likud with the other parties would give the coalition 76 seats —more than enough for stability.

If, as expected, Mr. Begin gets the mandate from Mr. Katzir to form a government, the nominee will have three days to decide whether to accept the invitation. If he accepts, as expected, he will have 42 days in which to set up the coalition. If he cannot form a government in that period, Mr. Katzir could turn to the runner-up in the election, the Labor party, and give it the mandate.

The Likud's decision yesterday to stick by Mr. Dayan's nomination to the Foreign Ministry post was stated in general terms and was reached after angry demonstrations and protests from within the party itself.

Bid to DMC

Party leader Salmen Shoval said that the Likud Executive Committee phrased its statement carefully in an effort to lure back the Democratic Movement for Change, which dropped out of coalition talks because its leaders were not consulted about the nomination.

"If there was a misunderstanding, we take the fault upon ourselves," Mr. Shoval said.

The statement said the committee empowered the man designated to establish the next government to name the other ministers and called for "a continuation of the efforts to establish a government on the broadest parliamentary base."

Likud leaders said Mr. Begin's choice was still Mr. Dayan.

Blaze in Ky. Laid to Blast; Toll Is at 160

SOUTHGATE, Ky., May 30 (UPI).—Investigators checked the possibility today that an explosion in an oil compressor blew flames into a dining room jammed with 1,000 persons, touching off the Saturday night fire that killed at least 160 persons at the Beverly Hills Supper Club.

The fire swept through the huge club, panicking a crowd of 3,500 attending dinner and a show by singer John Davidson, who escaped.

The club, which had been rebuilt after a $1-million fire in 1970, was atop a bluff five miles south of Cincinnati, across the Ohio River. A sprinkler system was not installed when the club was rebuilt, officials said, because the law then did not require it.

At least 74 persons were injured. Eleven were treated and released but the others were listed in conditions ranging from fair to critical.

Authorities had said yesterday they feared the death toll could reach 400. However, Southgate Fire Chief David Riesenberg said, "I'm optimistic we won't find any more bodies." He said the area still to be searched was not one of those hit hardest by the fire.

Still Undetermined

Coroner Dr. Fred Stine said he understood the fire started in an oil compressor beneath one of 21 party rooms.

Tom Wald, the state's deputy fire marshal, said, "Officially, the cause of the fire is still undetermined."

Gov. Julian Carroll said, "There was apparently an explosion in the basement, two explosions in fact."

Dr. Stine said that 22 of the bodies were badly charred and it may be three days before identifications are complete.

It was the worst U.S. fire since 1942 when 491 persons were killed at the Cocoanut Grove in Boston.

British VSTOL Plane a Problem for U.S. Marines: 22 Have Crashed

By Richard Whittle

CHERRY POINT, N.C., May 30 (WP).—Maj. Drax Williams tugged on a lever, braking his AV-8A Harrier jet from a speed of 500 miles an hour to a midair halt, and let it hover over a Marine Corps runway near here like an angry hummingbird.

The U.S. Marine Corps has purchased 110 British-built Harriers at $3.4 million apiece since 1971.

Of the total, 22 have crashed. And the Marine Corps is distressed over the loss of seven lives, $63.6 million and 16 airplanes in those crashes. The corps is also concerned over the steep climb of the Harrier accident rate in the last three years—the period in which, experts said, familiarity with the airplane and the greater experience of pilots should reduce mishaps.

In nine weeks earlier this year four Harriers crashed near the Marine Corps Air Station here, where three of four U.S. Harrier squadrons are based. Those crashes brought to 15 the number that have gone down since 1975.

Wing Comdr. John Curry of the air attaché's office at the British Embassy in Washington would not release accident statistics for the 109 Harriers bought by the Royal Air Force since 1969. "I'm afraid that's regarded at home as classified," he said.

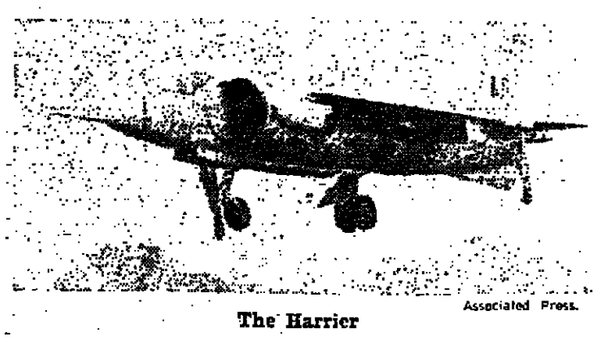
Also classified, Marine Brig. Gen. Leo Leblanc said, are the official reports on why 22 Harriers of the Marine Corps have gone down.

But a clue may exist in the unusual and difficult maneuvers that the Harrier performs—the same maneuvers that sold the Marine Corps on the airplane and gave Hawker Siddeley Aviation Ltd. of Britain the distinction of being the first foreign firm to sell the United States a major weapons system.

The Harrier is the first operational military aircraft in the Western world that uses vertical and short takeoff and landing concepts that are rewriting air-warfare tactics.

Until the last few years, the United States had been slow in getting to work on VSTOL. That has changed dramatically.

"Why all the action in the VSTOL area?" reporter John Rhea wrote in last November's issue of Sea Power magazine. "One explanation offered is the recent appearance of the Soviet Yak-36 VSTOL on the deck of the carrier Kiev—a technological surprise which has been described as the 'Sputnik of the VSTOL business.'"



Associated Press.

The Harrier

"These are the planes I am convinced will be the backbone of our aviation force at sea when we cross into the 21st century," asserted U.S. Navy Secretary Graham Claytor in a speech less than a month ago.

An advanced VSTOL aircraft is a key part of the Navy's plan for the fleet of the 1990s.

If a safe VSTOL plane that can carry a bigger load than the Harrier cannot be developed in time to join the fleet in the 1990s, the whole concept of switching from Nimitz class carriers, which cost $2 billion each, to "mini-carriers," costing half that much, will have to be re-evaluated.

The Harrier can take off straight up, hover, move backward or sideways as well as forward, brake within 1,000 yards from top speed to a midair stop and can land in forest clearings or on decks as small as 72 by 72 feet.

Of the 22 major Harrier accidents reported by the Marine Corps, 11 have occurred when the airplane was performing vertical takeoffs and vertical landings or was in transition from normal flight to the hover.

Engineering marvels enable it to make those maneuvers. Four jet exhaust nozzles direct the thrust of the Harrier's Pegasus engine. They can be pointed directly aft for conventional flight, straight down for hovering or vertical takeoffs and landings, and at angles in between for takeoffs from as little as 500 feet of runway.

During vertical flight, four "puffer ducts"—small nozzles on the nose, tail and wingtips that produce thrust air—control the plane.

The puffer ducts are designed to work automatically when the exhaust nozzles are turned vertical, but Harrier pilots say making the transition from normal flight to the hover and using the puffer ducts correctly are demanding tasks.

"You're going from high speeds to low speeds," Gen. Leblanc said, "and the airplane doesn't act like a normal airplane."

Maj. M. H. Brannum, a former test pilot and head of offensive air support systems for the Marines, went into more detail.

"Your conventional flight controls—your wing, vertical tail and horizontal tail—provide natural stability to the aircraft" at speeds greater than 120 knots he said. But at speeds lower than that—such as when the Harrier is being slowed to a hover—the airplane "just kind of wants to wander around on its own," the major added.

A. E. Stark, Hawker Siddeley's military liaison man in Wash-

(Continued on Page 2, Col. 5)

To End Years of Coalition Rule

Turks Hope Vote Will Be Decisive

By Steven V. Roberts

ANKARA, May 30 (NYT).—As the Turkish election campaign approaches its conclusion next Sunday, the country is covered with posters proclaiming the *tek yol*, Turkish for "only road." The extreme left says that the *tek yol* is revolution, the extreme right says that it is Islam. The social democrats say the *tek yol* is the vote.

The election could determine whether democracy is, in fact, the only road for Turkey. For the last four years, this turbulent land of 42 million has been ruled by a series of indecisive coalition governments. Enormous economic, political and social troubles have been allowed to drift while leaders maneuvered for personal advantage.

The great fear is that the election will not produce a clear winner, making a coalition necessary, and with eight parties competing for votes that remains the most likely possibility. The only party with a chance for a majority in the 450-member parliament is the Republican People's party, a social democratic party that now holds 185 seats. Bulent Ecevit, its leader, lasted only seven months as premier in 1974 before his coalition collapsed. The second strongest force is the Justice party, a conservative party headed by Premier Suleyman Demirel, who patched together a four-party coalition in April, 1975. In third place is the National Salvation party, which has held the balance of power since 1973 and advocates a mixture of strict Moslem faith and rapid industrialization.

Notable Achievement

Turkey's mere survival as a democratic country has been a notable achievement. With a per capita income of less than $1,000, one-fourth of the European average, this is the world's poorest democracy outside India. The official illiteracy rate is almost 40 per cent. The concept of moderation and compromise is so alien that deputies regularly draw guns or throw punches on the floor of the National Assembly (parliament), and the death toll from political violence in the last two years exceeds 200.

This bloodshed has emerged as the leading issue in the campaign and poses the most immediate difficulty for any new government. Most analysts agree that the current leadership has not been firm enough with the troublemakers, but since both extremes believe they know the *tek yol* for Turkey, the fires of revenge are extremely difficult to quench. Moreover, the underlying social troubles that help spawn the bloodshed cannot be solved by riot police.

"In the past, the average Turk accepted the fact that one man was rich and most were poor—he did not question it," a Turkish politician said. "He won't accept it anymore."

Accordingly, hundreds of thousands of peasants have abandoned the countryside and moved to the cities. Once there, they demand schools and jobs, roads and electricity. The first thing they buy is a television set, and what they see on the tube only increases their impatience and anger.

Revenues Are Low

In order to deal with this rising tide of frustration, the government has placed top priority on economic development. Last year the growth rate was 7.2 per cent, one of the highest in the world, but the cost has been staggering.

For political reasons, the government has refused to reform the antiquated tax structure. State revenues have stayed low, and the development program has been financed by increasing the money supply. Inflation has soared to 25 per cent. Since the government will not impose wage restraints, labor settlements have averaged between 30 and 50 per cent. The development program demands foreign exchange to buy capital goods and raw materials, but exports and workers' remittances have slumped, and the central bank is practically broke. Yet no politician dares suggest that Turks must learn to live within their means.

In foreign affairs, the lack of firm governing authority has been equally disastrous. Since the summer of 1974, Turkish troops have occupied 40 per cent of Cyprus, but the leadership keeps insisting that public opinion prevents it from offering a reasonable compromise. As a result, the U.S. Congress has restricted arms sales to Turkey. Ankara has suspended U.S. intelligence-gathering stations and the whole relationship continues to erode.

One of the more difficult and more important questions facing any new government here is Turkey's sense of identity. After Kemal Ataturk founded the Turkish Republic in 1923, he cut the Turkish people off from their Oriental, Islamic past but never really defined their future.

Different Programs

A conservative element responds to this uncertainty by espousing a return to fundamental religious ideals. Another wants to recapture Turkey's imperial glory. On the left, one faction thinks that Turkey should become less reliant on the Western alliance and follow a Scandinavian model. Others see Turkey as a leader of the nonaligned world, a sort of Moslem Yugoslavia, or even pro-Moscow.

Twice in the last 17 years, when these strains threatened to pull the nation apart, the army stepped in, restored order and eventually turned power back to elected governments. The military sees itself as a guardian of democracy, and it has been waiting for this election, hoping along with everyone else that the result will be decisive.

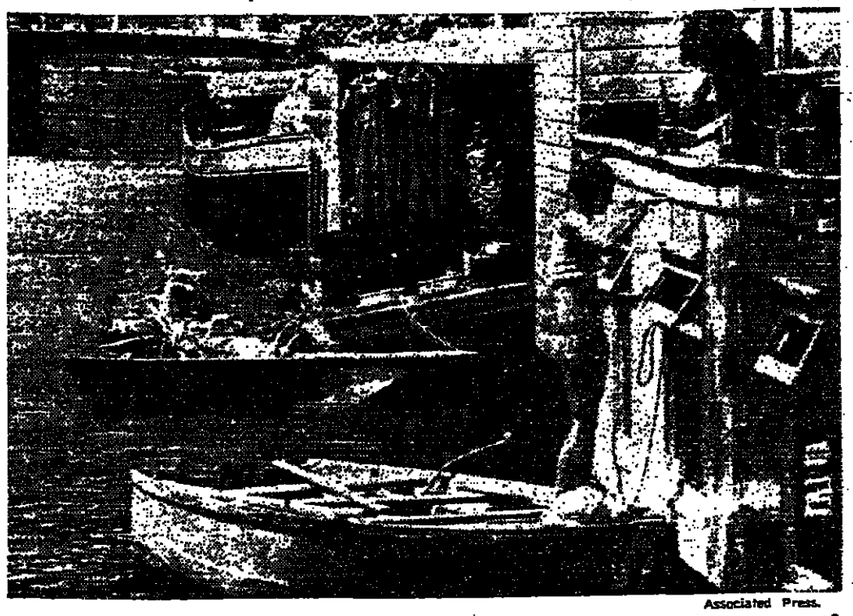
If it is not, and the country continues to drift without direction, the chances for a new military move could rise sharply.

Insurgents Slay 7 Thais in Clash

BANGKOK, May 30 (AP).—Seven government soldiers and village militiamen were killed by 50 Communist insurgents who attacked a military outpost in northern Thailand Saturday, a military spokesman said.

Eight soldiers were wounded in the five-hour battle in Phitsaulok Province, 220 miles north of Bangkok, the spokesman said.

The insurgents operate near Thailand's frontier with Communist-controlled Laos, as well as along Thailand's southeastern border with Cambodia. Battles between rebels and Thai government troops are a regular occurrence.



Associated Press.

COZY CANALS—Young couple painting their floating home yesterday on one of Amsterdam's many canals. A neighbor (background) is absorbed in book after having hung washing on deck of houseboat. Boats are homes for many in city.

Vance Pledges U.S. Support For New Economic System

(Continued from Page 1)

million U.S. contribution to the "special action fund" for the world's poorest countries that has been proposed by the European Economic Community. He said that Washington would match the EEC's $375 million contribution, but said that the U.S. share would be bilateral. In the past, Congress has preferred bilateral aid to maintain more control over the funds.

Three U.S. members of Congress are here as part of the delagtion, Sens. Jacob Javits, R-N.Y., Abraham Ribicoff, D-Conn., and Rep. Jonathan Bingham, D-N.Y.

Owen Gives Speech

Most of the other speeches by the industrial world's representatives stressed themes similar to those of Mr. Vance. British Foreign Secretary David Owen, speaking as chairman of the EEC, pointed out that when the conference opened 18 months ago the two sides were far apart on the common fund, debt financing, development assistance and energy problems. He said that solutions now were near on all of them.

The tone certainly changed during the 18 months of talks. From positions of near confrontation, with memories still fixed on the oil crisis, raw material shortages and the economic recession, the two sides neared mutual comprehension.

Saudi Arabia in particular became a leading voice for cooperation. And the most militant of the developing nations, Algeria and Iran, softened their tones as the recession and falling oil incomes weakened their positions.

Common-Fund Proposal

Allan MacEachen, Canadian co-chairman of the conference, said that the key to the "closing of the gap" between the two sides was the agreement on the common fund by the industrialized nations last week. The key to that accord was winning support from West Germany and the United States, two countries that earlier had opposed the project.

The common-fund proposal as spelled out today falls short of the demands of the developing nations. It would set up a fund and buffer stocks to stabilize the prices of a few commodities subject to severe price fluctuation, and ease the financial strain on nations dependent on those commodities. The developing nations want a fund covering as many as 18 commodities and providing for new transfers of funds as well as stabilizing income.

All these problems will be thrashed out tomorrow. It was clear today that the industrial countries regard the conference as a place of political decision, while the technical details will be filled in during future negotiations within Unctad, GATT and the World Bank.

Mr. Vance's suggestion that the North-South conference continue was something of a surprise. It had generally been accepted that the conference would end with this ministerial meeting, but that consultations on energy, raw materials, development and financing would continue in existing forums.

U.S. Marines And Harriers

(Continued from Page 1)

ington, observed: "With inexperienced pilots, the airplane has a tendency to get ahead of them, which is where most accidents occur."

Until a couple of years ago, the Marine Corps reserved the Harrier for only the most experienced of pilots. And Gen. Leblanc conceded that, considering the difficulty of flying the airplane, "we might have been just a little too quick on relaxing the standards. We're looking at our selection procedures and tightening them up."

Another problem the Marines encountered with the Harrier, according to a General Accounting Office report released in January, was the difficulty in maintenance. Because of the distance between factory and customer, the GAO said, the Marines could repair only about 30 per cent—instead of a usual 90 per cent—of the aircraft's components.

The Air Force and the Navy rejected the VSTOL because of its short range—360 miles—and its inability to carry its normal payload of 8,000 pounds of armaments when taking off or landing vertically.

The Harrier does not compare well, military analyst Michael Krepon wrote in the January issue of Foreign Affairs Quarterly, with the Soviet Yak-36. Mr. Krepon said: "The United States has a long way to go to attain performance needed out of these experimental aircraft."

Still, Gen. Leblanc said, "We're satisfied with what we have."

The Marine Corps, being primarily an invasion force, likes the Harrier because the tight spots in which it can land and take off would allow it to operate in combat from only a few miles behind the front or just offshore in a conventional war.

More Than 100 Reported Held by Angola Regime

LUSAKA, Zambia, May 30 (Reuters).—More than 100 Angolans, including the army deputy chief of staff, have been detained in Luanda since last Friday's attempted coup, President Agostinho Neto was quoted as saying tonight.

An official of the ruling Popular Movement for the Liberation of Angola quoted President Neto as saying on the radio that the leaders of the abortive uprising also had followers in provincial areas and that foreigners were involved.

Attacks Claimed By Palestinians

BEIRUT, May 30 (AP).—The Popular Democratic Front for the Liberation of Palestine claimed credit today for two guerrilla operations recently staged inside Israel.

It said in a communiqué that its operatives blew up fuel storage installations last Tuesday, killing an unspecified number of civilians at Ptah Tekfa, near Tel Aviv.

On Saturday, it added, another group of guerrillas dynamited a vegetable store in Jerusalem, "killing and wounding a large number of Zionists."

Not a Peep From Albania Bird-Watchers

LONDON, May 30 (AP).—Stanley Cramp, editor of a comprehensive new work on European birds, says that some Albanian species may not be represented because bird-watchers there are too afraid of the Communist government to provide lists and maps of their region.

He said: "The only details from Albania have come verbally from bird-watchers occasionally contacted by travelers. The Albanians are reluctant to put pen to paper in case their lists and maps are misinterpreted by the secret police as coded messages to the West."

Mr. Cramp is putting together Europe's largest book on birds of the western Palaearctic. He and aides have for 17 years been collecting data from more than 40 countries on the 750 kinds of birds in Europe.

Zaire War and 20th Century Reducing Pygmy Population

By Tendayi Kumbula

WASHINGTON, May 30.—There have been campaigns to save porpoises, otters, tigers, whales, bald eagles, leopards and other endangered species.

Now Belgian-born Jean-Pierre Hallet, an author, agronomist and ethnologist, has added pygmies—the small, nomadic people found mainly in the equatorial Ituri Forest of eastern Zaire—to the list.

Until the Zairian war, pygmies had been secure in their tropical rain forest homes, unaffected by the advance of Western civilization.

Mr. Hallet, 50, now lives in California, but as a child he spent time among the Efe pygmies of Zaire, known then as the Belgian Congo. Between 1956 and 1960, he lived among the Efes.

Mr. Hallet, who in 1955 lost his right hand while dynamiting fish from Lake Tanganyika to feed starving Africans in Burundi, said that the pygmies should be left undisturbed in the Ituri Forest.

"I believe the pygmies have a right to be left alone, to survive in their own ancestral homeland," he said.

When moved from the forest into rural or urban areas, many pygmies quickly die from sunstroke and other conditions not found in the forest.

Mr. Hallet said that the number of Efe pygmies declined from 35,000 in the 1930s to 15,000 in the 1960s, just after Zaire became independent.

Now there are only 3,800 pure-blooded Efes still living in their natural state—and resisting attempts to drag them into the 20th century, he said.

In central Africa in the 1960s, there were about 35,000 pygmies (collectively referred to as the Mbuti). They included the Efe, Aka and Twides. However, Mr. Hallet said most of the other groups have abandoned their traditional culture and have intermarried or been absorbed by stronger and larger surrounding groups.

Only the Efes have tried to continue their old ways. They usually live in small groups of fewer than 30, have no chiefs, elders or other hierarchy, preferring to settle disputes through discussion. They move frequently from place to place.

Game in the forest, killed with poison-tipped bows and arrows, provides the meat they need to survive, Mr. Hallet said.

© *Los Angeles Times.*

$1.17 Million for Wheat

ROME, May 30 (UPI).—The World Food Program has announced a grant of $1.17 million for 6,500 tons of wheat for the Indian state of Orissa. Unfavorable weather there halved last year's fall crop.

Two Saudi Finance Aides Sc A Wealth of Economic Wo

By Thomas W. Lippman

JEDDA, Saudi Arabia, May 30 (WP).—How rich is Saudi Arabia? Not very, according to the kingdom's two top money managers.

Forget the billions of dollars in cash and gold that this country holds abroad, they recently told a group of journalists. Never mind an annual revenue surplus of at least $15 billion. And take no notice of the daily oil income of about $115 million in a country of 7 million residents.

In the view of Mohammed Ali Abu Khail, the minister of finance and economy, and Abdel Aziz Quraishi, governor of the Saudi Arabian Monetary Agency, or central bank, these are temporary, artificial surpluses that give a falsely sanguine picture of the kingdom's economic position.

"We don't have a surplus, we have a temporary liquidity," Mr. Abu Khail said. He and Mr. Quraishi projected that Saudi Arabia's expenditures would catch up with its income by the end of this decade and that the monetary reserves might be used up by the end of the next decade, even allowing for increased oil production at continually rising prices.

Different View

That may not be the view of Saudi Arabia held by the oil-importing countries that are going deeply into debt, by the impoverished Third World countries beseeching the Saudis for aid, or by the Western bankers concerned about the impact of Saudi investments on the world economic system.

There are foreigners here who dismiss this Saudi analysis as a self-serving poor-little-rich-boy pose. To them, Saudi Arabia, with known oil reserves of about 170 billion barrels and perhaps as much more still undiscovered, appears immensely wealthy.

But Saudi leaders say that this country is so vast and underdeveloped, and its economic commitments so great, that it needs all the money it can raise—if not now, then soon.

According to Mr. Quraishi and Mr. Abu Khail, this country has only two resources, oil and cash, both depletable. The cash is being expended on modernization of the country.

'Every Cent'

"This is a developing country and needs every cent," Mr. Quraishi said. The money is kept mostly in short-term notes and liquid assets, he said, "so we can have it when we need it" to pay for the roads, communications, schools, hospitals, ports, factories, and water desalination plants.

He said the Saudis have a policy of never acquiring more than 5 per cent of the shares of any corporation outside Saudi Arabia. Their money is in corporate bonds, government agency bonds and treasury notes, mostly in the United States, he said.

From figures provided by Mr. Abu Khail and Mr. Quraishi, from the monetary agency's annual report and from independent sources, this picture emerges of Saudi Arabia's cash position.

Foreign Holdings

Reserve holdings abroad are about $26 billion to $28 billion. However, total foreign holdings, including nonliquid assets, have been estimated by some analysts at nearly $50 billion.

Oil revenues, which account for nearly all the kingdom's income, may reach $40 billion this year. But government spending will probably be no more than $25 billion, perhaps less in view of the government's program to reduce expenditures in an effort to hold down inflation.

According to Planning Minister Hisham Nazer, the country could cut its current oil production of about 10.3 million barrels a day in half and still have enough income to meet its obligations this year.

That may seem like an enviable position, but Mr. Nazer says that "to assume that Saudi Arabia is a rich country is a big fallacy."

Mr. Abu Khail said, "Actual expenses are still less t revenues. But we are tal about the day the two cu meet."

They said this is because are beginning to come due vast capital projects previc ordered, the costs of impc technology and services are ing, and the country's abilit spend is expanding as 2 flow through new ports roads.

"The costs of development very high," Abu Khail said. production is increasing bu believe the absorptive capac going up even faster. We ca the point where we will ha dip into the surplus."

Polish Premier Reveals Some Prices Increase

WARSAW, May 30 (UI Premier Piotr Jaroszewicz parliament today that pric some goods had to be rais compensate for the frozen p of basic foods.

Basic food prices have frozen since 1971. A govern plan to raise prices of meat, *and butter by about 50 per* sparked off rioting last June prompted authorities to r the idea within 24 hours.

Mr. Jaroszewicz said that p of some goods had been incr now to compensate for h production and import costs. affected cars, chemicals, co ics, pastries, some choco crystals and potteries.

Most of these increases not announced by the news dia. "The keeping of frozen for food made it necessar shape the prices of some goods in a flexible way," the mier said.

Foreign Banks To Yield Contr In Saudi Arabi

NICOSIA, May 30 (AP) foreign banks operating in Arabia must sell a majori the stock in their local bra to Saudi nationals within a the government in Riyadh *nounced today.*

The decree, approved by Cabinet yesterday, affects a firm, Citibank, and nine i with headquarters in We Europe, elsewhere in the M East and in Pakistan.

"We have known this coming for some time an the banks have begun a v tary dialogue on the matte foreign banker in Jedda sai

Two of the banks, the I Algemene Bank Nederland the National Bank of Pak already have a majority of stockholders, he reported. Saudi government's radio that a third, the French Bi de l'Indochine, won Cabine proval yesterday for a chan similar ownership.

Saudi officials said last that negotiations have been pleted for the governmen take over the rest of the m olistic Arabian-American Oi from four U.S. firms which now have held 40 per cer the ownership after orig owning all of Aramco.

Aleutian Quake Repor

PALMER, Alaska, Ma (AP).—An earthquake meas 5.9 on the Richter scale occ about 70 miles south of the lage of Nikolski in the Ale Islands today, scientists at Palmer Observatory reporte

Vietnam-Finland Talk

HELSINKI, May 30 (A Vietnamese Premier Pham Dong opened official talks his hosts today on how Fin can help Vietnam toward rec from the war.

Suffering From Soviet Cutoff

Egypt Is Desperately Trying to Bolster Military Strength

By Drew Middleton

CAIRO, May 30 (NYT).—Egypt's armed forces, the most important Arab factor in the Middle Eastern military equation, are desperately seeking to plug the holes in their armament left by the virtual end of Soviet supplies.

The Egyptian Army has the capability of fighting a strong defensive battle on the Sinai Peninsula, according to foreign military observers, but the air force is too inferior to the Israeli Air Force to permit offensive operations.

The Egyptian forces, according to foreign and Egyptian sources, support President Anwar Sadat's campaign for peace negotiations with Israel. But the officer corps also accepts the President's repeated assertion that war is inevitable if a peace settlement is not obtained.

The Egyptian view, shared by Western diplomats, is that negotiations must be started at Geneva this year and that only the United States can succeed in moving the Israeli government toward realistic talks.

Negotiation will be more difficult next year because, according to a high-level source, "by then the whole program of mutual polemics and border incidents that lead to war may have started again."

Egypt's economic difficulties are not regarded as a deterrent to war in such a situation because it is believed that Saudi Arabia, Kuwait and the United Arab Emirates would give the Egyptians unstinted financial and economic aid. The Egyptian problem is that such aid, however generous, might come too late. The needs are immediate and urgent.

The most important item on their list is F-5 fighter-bombers. They would like to buy 150 or more from the United States. The sale would be politically as well as militarily significant since President Sadat needs the F-5s to prove to his people and to other Arab governments that his friendship with the United States is strong enough to bring combat aircraft.

Militarily the F-5s would to some degree replace the Egyptian fleet of aging MiG-17 and MiG-21 Soviet fighters, which suffer not only from age but also from an acute shortage of spare parts—many lack engines.

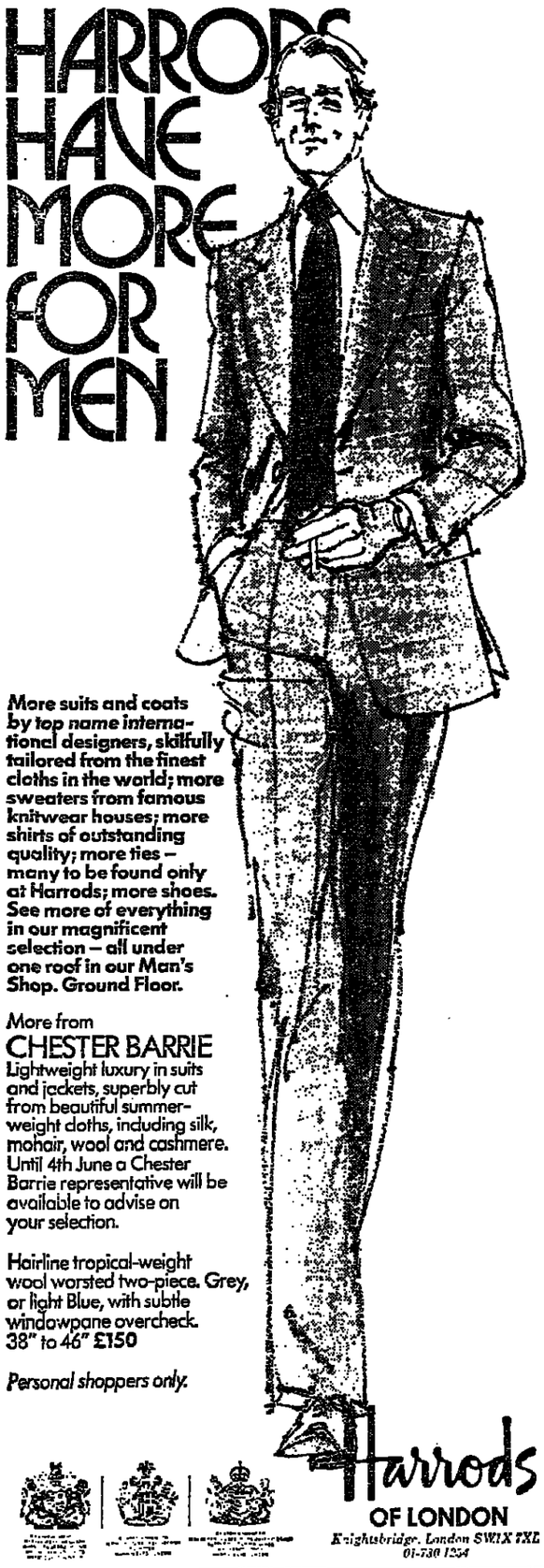
President Sadat announced recently that 50 of the 175 MiG-21 engines returned to the Soviet Union for rebuilding had come back. Foreign sources said that only about half the engines were for MiGs, with the rest for patrol boats, helicopters and TU-16 medium bombers. Should the Russians fail to return the rest of the engines, the Egyptians hope to use Western ones.

Other Purchases

Other Egyptian purchases include a sophisticated British anti-tank missile, British and French helicopters, and hovercraft for the navy. Probably the most important purchase for air force readiness was 44 F-1 Mirage fighters from France, some of which are operational. The new equipment raises the problem of training forces accustomed Soviet weapons.

Should a peace agreement concluded with Israel, Egyp and foreign sources expe thorough reorganization of forces, including cuts in stre and the development of forces on the U.S. and Br models. Reorganization, the eign observers stressed, w include a revision of Egypt's tical approach, with an emp on initiative.

They said that unit comm ers—from battalion to divisi were too heavily influenced Soviet doctrine. "The Egyp commander," a source said, see a tactical opportunity, re it and sit down and wait orders. The Israeli will repo and, without waiting for or exploit it."



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هكذا من الأصل

igh N.Y. Organization

v U.S. Envoys Go Abroad efed on Business Views

By Ann Crittenden

ORK, May 30 (NYT).— x Chambers, the newly l ambassador to Bel- k time last week from a and of government brief- end a day in New York. nta publisher met here executives of four U.S. ns with interests in

old her, among other at the embassy in Brus- not done enough in the past to help U.S. companies win European defense contracts, who the most powerful men behind the Belgian throne are and what visiting congressmen would do: drive her crazy.

The day after Mrs. Chambers left town, the new ambassador to Iran, William Sullivan, spent the afternoon in a 46th-floor board room with senior executives of 18 major banks and corporations with Middle Eastern experience.

They offered opinions on everything from the prospects for a stable, nonoil-based economy in Iran (not good) to the risk of terrorism there (not bad, at least for nonmilitary contractors).

In the next few weeks, those visiting the city to meet quietly with businessmen will include the ambassadors to Malaysia, Finland and Luxembourg; the deputy chief of mission in Italy; the economic and commercial attachés in Hungary, and Elliot Richardson, the chief U.S. negotiator at the Law of the Sea Conference under way at the United Nations.

Mr. Richardson, at his own request, will attend a dinner at the River Club with leaders of the oil, metal, shipping, and fishery industries, most of whom have a multimillion-dollar stake in the outcome of the deadlocked conference.

All of these informal gatherings were arranged by a nonprofit New York-based organization called the Business Council for International Understanding. Funded by about 80 blue-chip companies, the council has been introducing government policy makers to what it calls the hard realities of U.S. corporate interests abroad for almost 20 years. It is all done with the blessing of the State Department.

The gatherings also have in common their very private nature. Last week a reporter was allowed to attend a few of the sessions, but only with the understanding that none of the companies would be identified by name.

Chance for Exchange

The council's president, John Habberton, estimates that in all the organization has arranged briefings for about 1,600 diplomats. Thousands of businessmen have also had a chance to exchange a few words with policy makers at intimate luncheons and dinners.

"We try to invite companies with a particular problem in the official's country," said Charles Powleske, the council's vice-president. "It is an opportunity for a company to lay out its grievances and to make constructive comments, if any, so that the officer can go back to the embassy with an updated perspective."

The council and its sponsors presume that the new perspective includes more sympathy—and assistance—for U.S. business overseas. At the same time, they argue, businessmen learn that the diplomatic corps can be trusted to defend their cause abroad.

"Up until a few years ago businessmen tended to avoid the American Embassy like the plague," Mr. Powleske said. "They had no respect for what they perceived as bureaucratic, Foggy Bottom, striped-pants cookie pushers and all that. We show them these officers are capable."

ay Gandhi anted Bail ieft Inquiry

ELHI, May 30 (AP).— remier Indira Gandhi's g arrest on theft and charges, has been nticipatory bail.

nnounced today that a h Court judge issued saying if 30-year-old andhi is arrested, he leased if he posts bonds upees (about $1,100).

lhi, under investigation financial and political es during the emer- that was decreed by , petitioned the court itory bail on Saturday. ed fear that he would

ion was made after l a criminal case— ot a formal charge— im of conspiring to ents pertinent to his rojects which include ple plant. The theft rt of the expanding lities for Mr. Gandhi, der of the Congress h wing. His passport impounded pending of government in-

ian Forces From Zaire

May 30 (AP).—Egyp- and technicians who re President Mobuto repel Katangan rebel e returned home, a nmunique said today. t 50 pilots and tech- aire early this month. nwar Sadat justified by saying that the ed rebel forces in a "direct threat to the sources of the for us are life or

the Sudan have a rder. Egypt has a se pact with the Su-

njures Five Jerusalem

EM, May 30 (UPI).— e bomb planted inside ead exploded in East Saturday, slightly in- persons, including a urist, police said. sion, the first in the n of the city since year, took place along ajath, the Spice and e, on the outskirts of a quarter.

Associated Press.

Parti Québecois members raising their voting cards on one of the more than 100 resolutions brought to the floor during their convention last weekend in Montreal.

To Gain Wider Support

Quebec Party Softens Independence Stand

By Henry Giniger

MONTREAL, May 30 (NYT).— Under strong pressure from the provincial government, Quebec's governing party moderated its program yesterday in an effort to attract domestic and international support for its goal of independence.

The removal from the program of the Parti Québecois of any reference to a withdrawal by an independent Quebec from the North Atlantic Treaty Organization or from North American defense arrangements was one of the most striking examples of the moderation shown in the first convention since the party assumed power in November.

When the three-day meeting opened Friday night, Premier René Levesque warned the 1,500 delegates that the party could no longer act as it had in opposition and had to take account of "the limits and constraints" of power. It was apparent that the government sought room to pursue policies that would attract as much support and frighten as few people as possible. When the convention ended last night, the most radical elements were in a minority.

'Pacifist Policy'

The party's previous opposition to defense links with the West in general and with the United States in particular had been cited by critics as an example of how dangerous a separate Quebec might become. In the new program, the party continues to back a "pacifist foreign policy" but talks only of a reassessment of Quebec's alliances.

Claude Morin, the province's minister of intergovernmental affairs, said that he had been constantly questioned on this point by officials outside the province and that the West Germans had shown particular concern.

Mr. Morin said that the delegates had been content with setting general goals and with leaving the government free to decide how to achieve them.

The goal of independence was reaffirmed but the convention noted the government's promise to the electorate to hold a referendum before taking concrete steps to achieve political separation from the rest of Canada. References to immediate steps toward independence were replaced with the pledge that the government will "promote as much as possible the autonomy of Quebec for the period to be spent within the present political regime."

Language Views

In the same vein, resolutions that would have abolished English-language schooling in Quebec were defeated, and the delegates backed language legislation now under debate that would make French virtually the only language in Quebec but would allow a public English-language school system to continue.

The convention approved, however, a resolution demanding that the government take immediate steps to obtain approval of an "anti-scab" law. The government has shown no hurry in introducing legislation that would forbid the owners of a truck plant from hiring strike-breakers. Quebec industrialists had opposed such a law and the government has been trying to enlist their cooperation in increasing investment to relieve unemployment in the province.

Carter Expecting Signs Soon Of Improved Cuban Relations

From Wire Dispatches

ST. SIMONS ISLAND, Ga., May 30.—President Carter said today he expects "indications in the next few weeks" of improved relations between the United States and Cuba, but that they would stop "far short of recognition."

Chatting with newsmen in nearby Brunswick, where he saw his wife, Rosalynn, off on a seven-nation Latin American tour, Mr. Carter said, "It would be better for this hemisphere if Cuba did have good relations with the nations here."

Saying that it is obvious that the United States wants better relations with Cuba, Mr. Carter added, "We haven't had any firm indication yet that Castro wants to . . . normalize relations with us."

Asked about his reaction to Cuba sending military advisers to Ethiopia this month, the President said, "Obviously it would be better for the peace of Africa if other nations would not send forces.

We would like very much for Cuba to refrain from this intrusion into African affairs in a military way."

Citing this as one of the problems in improving links with the United States, Mr. Carter also expressed concern for political prisoners in Cuba.

But the President said that he hoped the recent U.S.-Cuban negotiation of a fishing and maritime agreement would be a harbinger of "similar small steps toward an increased ability to communicate." He added, however, that it would be a mistake to be "too optimistic."

Mr. Carter's farewell to his wife was his only scheduled activity today. Mrs. Carter later arrived in Jamaica on the start of her tour.

Manifesto Read At Latin Meeting To Protect Envoy

GUATEMALA CITY, May 30 (AP).—The secretary of the Inter-American Development Bank read publicly a five-page manifesto today from the Guerrilla Army of the People in an effort to save the life of the kidnapped ambassador from El Salvador.

About 1,200 delegates attending the bank's annual meeting here listened in silence, some of them obviously shocked, as Jorge Haseka read the document as the first order of business.

The terrorist organization which abducted the ambassador, Col. Eduardo Casanova Sandoval, 58, promised to release him unharmed if the communiqué was read publicly and distributed to delegates and newsmen.

The communiqué denounced the Salvadoran government of Col. Arturo Armando Molina as fraudulent and repressive and said that the Guatemalan government of President Kjell Eugenio Laugerud was aiding Col. Molina.

It also called Col. Casanova, who was kidnapped here yesterday, a murderer who killed Salvadorans during his 10 years as chief of El Salvador's National Guard.

Pope Is Seen Set To Oust Lefebvre

GENEVA, May 30 (UPI).— Rebel Roman Catholic Bishop Marcel Lefebvre today marked the Pentecost weekend by holding a children's confirmation service in a move which could lead to his exclusion from the church by Pope Paul VI.

Church officials here, where the service was held in Exhibition Hall, said they believe that the Pope will act against Msgr. Lefebvre and his followers before the middle of next month.

They said that Pope Paul can be expected to serve notice of exclusion from the church—avoiding the word excommunication—before Bishop Lefebvre ordains new priests at his traditionalist seminary in Econe, Switzerland, on June 29.

Bangladesh Chief Apparent Victor In Poll on Rule

DACCA, May 30 (Reuters).— President Ziaur Rahman of Bangladesh headed for an overhelming victory tonight in a national referendum on his martial law rule and policies. Early results showed only 1 per cent of the vote going against him.

The election commission said the results so far were 44,129 in favor and 418 against.

A polling center in the southwestern district of Jessore voted 1,709 to 0 in favor of President Rahman's policies.

Returns from various parts of the country indicated a turnout far above the 58 per cent who voted in the 1973 general elections. Some polling stations reported turnouts of up to 90 per cent.

Although the results covered only a small percentage of the 38-million electorate, observers said that the trend was clear. It indicated a convincing victory for the 41-year-old general who has ruled Bangladesh since 1975. He took over as President only last month.

U.S., Soviet Envoys Meet

BERLIN, May 30 (UPI).— Walter Stoessel, the U.S. ambassador to West Germany, today called on Pyotr Brassimov, the Soviet ambassador to East Germany, in the latter's East Berlin residence.

To Guard Against World Crisis

U.S. Urged to Adopt Grain-Reserve Syste

By Boyce Rensberger

NEW YORK, May 30 (NYT).— Although record harvests have erased fear of an imminent food crisis in most parts of the world, experts on the global food situation see early signs of another potentially disastrous period.

They fear that if steps are not taken soon to establish a U.S. food reserve system that can hold the enlarging surplus for a time of scarcity, the boom-and-bust cycles of recent decades may bring mankind back to the brink of widespread famine. A system in the United States is considered crucial because it is by far the leading exporter of grain. The current stocks, chiefly of wheat, are enough to compensate for several major crop failures, and there is little prospect of famine in the next year or so. But food experts say that the surpluses are creating two conditions with potentially adverse effects for the long run.

One is that the abundance of wheat has driven the price so low that there is less incentive for farmers to grow as much. The other is that farmers, faced with mounting storage costs, will be eager to export the surpluses at cheap prices to food-deficit countries. These countries may find it more expedient, politically and economically, to import cheap wheat and divert resources that would have helped to build domestic agricultural production.

"We've had this boom-and-bust cycle before and we can have it again," said Norman Borlaug, an authority in the field. "We're in the boom now and you can bet that, if something isn't done about it, we'll be facing a bust, just like we were back in '73-'74."

Mr. Borlaug won the Nobel Peace Prize for developing high-yielding wheat strains.

Stability in Markets

Mr. Borlaug is the director of the wheat program at the International Maize and Wheat Improvement Center, an independent research organization with headquarters near Mexico City. He is one of those who urge that the United States establish a system in which grain would be kept off the market in times of surplus. With less grain available for sale, it is reasoned, the market price would not fall drastically. And farmers, assured of a reasonable price, would continue to grow wheat.

When crop failures pushed wheat prices beyond the means of food-importing countries, the reserve system would release its wheat.

Norman Borlaug

"The time to establish a grain reserve is now, when we've got the grain," Mr. Borlaug said.

A similar note of urgency has been expressed by Dr. John Hannah, executive director of the World Food Council, the agency established by the United Nations during the World Food Congress of 1974.

"At the end of the current crop year," Dr. Hannah wrote in a recent report, "the world is expected to have some 40 or 50 million tons of wheat over and above the current requirements. What happens to this wheat will have a greater impact upon world food security than any other single event within the power of the World Food Council to influence."

Dr. Hannah warned that, if farmers saw large wheat stocks as a threat to a fair market price and as a commodity too costly to store, they would tend to sell as quickly as possible and begin cutting production. The Carter administration has already said it is considering production curbs for next year.

Farm organizations, fearing a repetition of the period in the late 1960s when government-owned surpluses kept grain prices artificially low, have strongly opposed such plans.

A plan drawn up by Bread for the World, a citizens' organization formed at the height of the 1974 crisis, has been endorsed by Mr. Borlaug and other agricultural experts.

It would grant loans to farmers who put grain into the reserve. The government would pay the farmer's storage costs. When grain became scarce and prices rose too high, the government would stop paying the storage cost, encouraging farmers to sell. By selling at the higher price, a farmer could repay the loan and still make money.

"Without reserves," Mr. Borlaug said, "we will continue to have wildly escalating prices and we may find ourselves with large numbers of people starving as a result."

Two Porpoises Stolen, Set Free

HONOLULU, May 30 (UPI).— Two 350-pound porpoises used for research into hearing and other perceptions have been stolen from the Hawaii Institute of Marine Biology—apparently by a group that considered the experiments cruel—and released into the Pacific.

The institute's director, John Bardach, said yesterday that the theft of Puka and Kea caused "a $500,000 to $1 million loss to the University of Hawaii." He called the crime "stupid." He said the porpoises had been comfortable at the institute.

A group calling itself "the Undersea Railroad" said in a press statement that the porpoises "will never again know the nets of a captor or the relentless probing of scientific research." Two employees of the institute were believed to have participated in the theft of the mammals.

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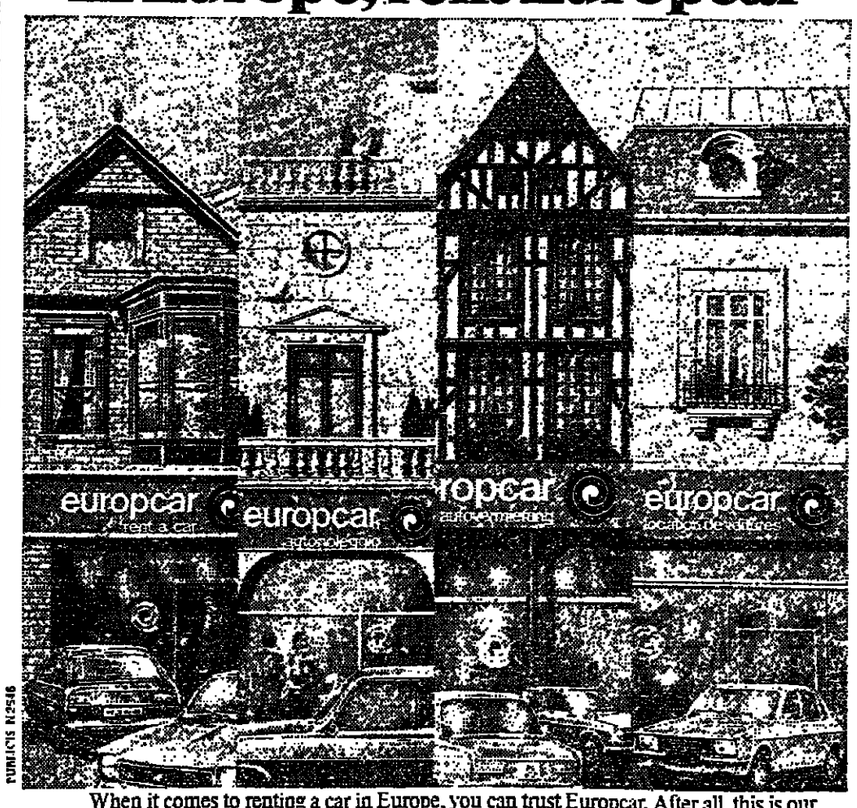

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New Attacks, Denunciations of Jews

Anti-Semitism in Argentina— A Thermometer of Unrest

By Karen DeYoung

BUENOS AIRES, May 30 (WP).—"Anti-Semitism in Argentina," said a leader in this country's Jewish community, "is like a thermometer. When Argentine politics heat up, things get hot for Argentine Jews."

The analogy appears apt. During the last several weeks, while Argentina has been embroiled in a major political-financial scandal, there has been a new eruption of the kind of anti-Semitic attacks and propaganda that have smoldered beneath the society's surface for decades.

Last week, a synagogue in the center of Buenos Aires was destroyed by terrorist bombs. The same synagogue had been bombed two weeks before.

Newsstands are still selling last month's issue of Cabildo, a rightist magazine popular in army barracks. The issue's lead article is a treatise on the "Jewish-Marxist-Montonero" connection with David Graiver, a prominent financier here and the central figure in the scandal.

Imprisoned, Tortured, Killed

More respectable publications and hardliners in the military government also have hinted at such a connection.

The ruling military junta, in its 14 months of power since ousting former President Isabel Peron last year, is alleged to have imprisoned thousands of persons without charges and tortured and killed others, in its zeal to eliminate the guerrillas.

Mr. Graiver was a Jew, as is Jose Gelbard, an economy minister in the previous Peronist government, who now lives in the United States. The military junta has also implicated Mr. Gelbard in the scandal.

Mr. Graiver, killed last year in a Mexican plane crash, allegedly served as banker and investment broker for the Montoneros, an underground guerrilla group with Marxist affiliations that has played a large part in the political violence that has wracked Argentina for the last two years.

Jacobo Timerman, publisher of La Opinion, a leading Buenos Aires daily newspaper, has been arrested in connection with the Graiver case. He is an outspoken member of the Argentine Jewish community and his paper has published anti-Nazi articles.

The government has announced the take-over of two printing facilities that produce La Opinion.

Mr. Timerman, who was arrested April 15, reportedly began his printing operations with the help of an investment from the Graiver financial group. He is being held incommunicado, without charges or access to an attorney.

Scores of others, most of them gentiles, including former Argentine President Alejandro Lanusse and several members of his cabinet, have been detained in connection with the case. According to Cabildo, the current scandal is only the top of an iceberg that will reveal decadeslong corruption by a Jewish-led cabal of Marxists, guerrillas and virtually every out-of-favor politician in Argentine history, including former dictator Juan Peron.

Conspiracy Theories

Offerings of Jewish conspiracy theories regularly surface here in times of political stress. They are often accompanied by violence—including kidnappings, murder and bomb attacks believed to emanate from rightist, paramilitary groups that some believe have the tacit approval of, or even direct orders from, hardliners in the government.

The most recent previous attack on the Argentine Jewish community—the largest in Latin America, with approximately 400,000 members, who are primarily descendants of Russian and European refugees—was last fall, when neo-Nazi books appeared on the newsstands and numerous Jewish businesses, synagogues and schools were bombed.

That attack ended when the government took action against the propaganda, following widespread international pressure and publicity from Jewish groups in the United States.

The Jewish community here has begun to protest. The president of the delegation of Jewish associations in Argentina, Nehemias Resnizky, warned that "our enemies must realize that there are no passive and silent Jewish masses any more." His statement was made May 2 but was released until recently.

In an interview several weeks ago, Mr. Resnizky said that anti-Semitism in Argentina is the same as that "all over the world—even in the United States."

The difference, he said, is that violence is so widespread here that it has virtually become an acceptable way of dealing with differences of opinion.

United Press International.

IN MEMORIAM—Sen. Edward Kennedy drops flower on grave of his brother, former President John Kennedy, at Washington's Arlington Cemetery Sunday on 60th anniversary of former president's birth.

3 Countries Offer Funds To Banabans

LONDON, May 30 (AP).—Britain, Australia and New Zealand have offered compensation of $Aus.10 million ($10.9 million) to the Banaban people, former inhabitants of a South Pacific island devastated by phosphate mining.

There was a question of whether the Banabans would accept the offer, announced Friday in the House of Commons by British Foreign Secretary David Owen.

Mr. Owen said that the 2,500 Banabans can expect further payments from the British Phosphate Commission, the body owned by the three countries and responsible for the strip mining that forced the Banabans from their homeland.

Mr. Owen said that the offer from the three governments was final, and on an "ex gratia basis, without admitting any liability." It was conditional on the Banabans taking no further legal action against Britain and on no further claims arising from past events, and on seeking an early resolution in claims against the British Phosphate Commission.

He said that damages to be paid by the commission—which he did not estimate—were in addition to the offer. The London newspaper the Guardian reported Saturday that the commission is offering the Banabans almost £2 million ($3.4 million).

The Banabans are from Ocean Island, part of the Gilbert Islands, a British colony situated near the Equator and lying between New Guinea and Hawaii. Most of the Banabans now live on Rambi Island, a part of independent Fiji.

Mining operations on Ocean Island are expected to end by 1980 and the compensation is designed to secure the Banabans' economic future, Mr. Owen said.

Tebuke Rotan, Banaban emissary in London, expressed resentment at the offer. "I was very disappointed," he said. Banaban elders would meet in Rambi Saturday to decide whether to accept the offer, which is far below their original claims for unpaid mining royalties, Mr. Rotan added.

They originally asked for £21 million, but the claim was rejected by Britain's High Court in December after a case lasting 226 days, the longest in British history.

GO FLY A KITE—This one has nine flexifoils on string. About 1,000 kites flew at one time from park at Hampstead Heath, in suburban London, Sunday. The spectacle, sponsored by the International Herald Tribune and Japanese Air Lines, drew nearly 8,000 spectators.

Obituaries

Goddard Lieberson, 66, Head Of Columbia Records 21 Years

NEW YORK, May 30 (NYT).—Goddard Lieberson, 66, president of Columbia Records for 21 years and the man who introduced long-playing records to the U.S. public, died of cancer early yesterday at his home here.

Mr. Lieberson encouraged the spread of country music and rock and was largely responsible for the wide diffusion of musical comedy albums after Columbia's "My Fair Lady" achieved notable success.

He was the husband of Vera Zorina, a ballerina and musical comedy star.

Mr. Lieberson began his career as a pianist and composer of classical music. Born in Hanley, England, the son of a manufacturer of rubber heels, he arrived in the United States with his family four years later and eventually worked his way through the University of Washington and the Eastman School of Music in Rochester, N.Y.

Joined Staff in 1939

In 1939 he joined Columbia Records, newly acquired by CBS, as a studio recording director.

During his early years with the Masterworks Division, Mr. Lieberson built up Columbia's catalogue of classical music. He also supported a fellow musician, Peter Goldmark, in developing the long-playing record that spins at 33 1/3 revolutions a minute—which brought a major expansion in the recording of serious music.

He became Columbia Records' executive vice-president in 1949 and its president in 1956, rapidly broadening his range to include country and pop music and to expand record-making operations around the world. He established the enormously successful Columbia Record Club.

He also persuaded CBS to provide the $400,000 or so it cost to stage a musical that was going begging, based on George Bernard Shaw's "Pygmalion." As "My Fair Lady," it made millions for CBS.

Defense Minister of Austria Quits Over Syria Arms Sale

VIENNA, May 30 (Reuters).—Defense Minister Karl Luetgendorf resigned today, avoiding almost certain dismissal in a bruising political row over Austrian arms shipments to Syria.

The 62-year-old former soldier stepped down voluntarily during a private meeting with Chancellor Bruno Kreisky, government sources said. Last night, Mr. Kreisky hinted strongly that the defense minister would probably be dismissed.

Mr. Luetgendorf, a controversial nonparty member of the Socialist Cabinet for six years, resigned 24 hours before a crucial Cabinet meeting. Mr. Kreisky, returning from a holiday in Majorca, said last night that the defense minister "behaved very clumsily" in failing to disclose full details behind the delivery of 600 rifles and 400,000 rounds of ammunition to Syria in December.

Austrian newspapers have been almost unanimous in calling for Mr. Luetgendorf's dismissal since the affair became known early this year.

The Socialist government was under heavy attack, with the conservative opposition charging that the arms sale violated Austrian neutrality and a law barring military deliveries to countries in war zones.

Trial Urged

Some critics called for Mr. Luetgendorf to be put on trial for his role in the affair, on the ground that the sale infringed the neutrality law, an offense punishable by up to five years in prison.

The arms, sold by a private dealer with bills of lading endorsed by the Defense Ministry, were originally labeled for delivery to Tunisia, but the destination was changed to Syria at the last minute. The ministry said the weapons were intended only for sporting purposes.

Mr. Luetgendorf has been in political trouble several times since he became minister in 1971.

Born into an aristocratic family with a long military tradition, he joined the Austrian Army 44 years ago and served with the German Army in World War II, when he was taken prisoner.

Several years ago, he provoked a storm in Austria's armed forces by urging major organizational reforms.

He clashed with Chancellor Kreisky by proposing that the 1955 Austrian state treaty, which restored the country's postwar independence, should be revised to allow the army to buy modern missiles. Last month, Mr. Kreisky pigeon-holed a Luetgendorf plan to spend 2 billion schillings (about $117 million) on new fighter aircraft.

Japan and Russia Sign Trade Pact

TOKYO, May 30 (UPI).—Japan and the Soviet Union today signed a five-year extension of their trade and payments treaty, which had expired at the end of 1975, the Foreign Ministry reported. It said the extension is retroactive to Jan. 1, 1976.

The extension had been delayed because of worsened relations caused by the defection to Japan of a Soviet Air Force officer in a top-secret MiG-25 fighter last September.

Yesterday, Premier Takeo Fukuda said that Japan must "go forward with creating an environment" for the conclusion of its long-delayed treaty of peace and friendship with China. Japan and China have been dickering since 1972 about the terms of such a treaty to complete the normalization of their relations.

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77 Being Tried On Charges of Italy Coup Plots

ROME, May 30 (AP).—Italy's former military intelligence chief and 76 other persons went on trial today on charges stemming from an alleged series of rightist plots against the government between 1970 and 1975.

One charge involved an armed revolt that allegedly was planned for Dec. 7, 1970, in which the national radio and television center was to be seized. The revolt never took place. Gen. Vito Miceli, 71, the former head of military intelligence, is accused of suppressing the findings of his agency concerning the alleged plot.

Other charges involved an alleged plot to kill Italian leaders and trigger a rightist coup. Some of the defendants are accused of involvement with the so-called Rose of the Winds clandestine military group that allegedly collected money from industrialists and planned bombings and other terrorist acts that would lead to a coup.

Prominent Italians, including Premier Giulio Andreotti, were expected to be called as witnesses. Mr. Andreotti, a former defense minister, ordered the investigation into the alleged attempts to conceal the conspiracies. Gen. Miceli says that he is innocent and passed all information to his superiors.

Ba Maw

RANGOON, May 30 (UPI).—Ba Maw, 85, head of state of Burma during the Japanese occupation in World War II, died here Saturday, Burma's official press reported today.

Educated at Cambridge and Bordeaux, Ba Maw was British Burma's first prime minister. He was interned by Allied forces in Japan after the war, but was released to return to Burma in 1947. After Burma's independence in 1948, he retired from politics and practiced law.

War Rules Council Expands POW Status

GENEVA, May 30 (Reuters).—A 100-nation conference on new rules-of-war conduct voted last week to give captured guerrillas prisoner-of-war status.

But several countries criticized the proposed addition to the Geneva Conventions as imprecise, blurring the distinction between civilians and combattants.

Voting was 73 to one, with 21 abstentions, mainly by Western and Latin American states. Israel cast the only "no" vote.

Bulgaria's Zhivkov Arrives in Moscow

MOSCOW, May 30 (AP).—Bulgarian Communist party leader Todor Zhivkov arrived today on a state visit and was welcomed by Soviet party leader Leonid Brezhnev.

Mr. Brezhnev, Premier Alexei Kosygin and Foreign Minister Andrei Gromyko greeted Mr. Zhivkov.

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Libya, Tunisia Renew Disp Over Offshore Drilling for

By Thomas W. Lippman

CAIRO, May 30 (WP).—A long-standing territorial dispute between Libya and Tunisia flared this weekend when a U.S.-owned oil-drilling rig began operating on behalf of Libya in waters claimed by Tunisia.

Each country accused the other of sending naval units to the area in the Gulf of Gabes to enforce its claim earlier this year. When the Libyans engaged an Italian rig to drill in the same place, the Tunisians sent a warship to force the Italians out. Their departure brought a protest from the Libyan government of Col. Moamer Qadhafi, which has threatened economic reprisals against Italy for abandoning the drilling site.

This time Tunisia has complained to several countries, including the United States, and to the Arab League about the Libyan move.

While not explicitly theatening military action, the Tunisians have talked in diplomatic notes about refusing to accept a "fait accompli" and "reserving the right to take appropriate action."

Towed to Position

The drilling rig is owned by the U.S. firm of Reading and Bates, but it is not clear from reports reaching here whether there are any U.S. citizens working on it. On contract to the Libyan National Oil Co., it was towed into position last week to drill on a part of the continental shelf that has been in dispute between the two countries since the 1960s.

Tunisian diplomats here said their country complained U.S. Embassy in Tunis an the State Department warn rig operators that they working in disputed waters they went out anyway, und protection of two Libyan ships.

The dispute is such an matter for Tunisia that its President, Habib Bourgui ceived the Libyan ambo yesterday to discuss it. T nisian parliament met in session today to consid crisis and the Cabinet take it up later in the day

The two North African bors agreed in principle la to summit the boundary to the International Co Justice in The Hague but actually do so. The Tunis sist they are ready to acc judgment of any impartial and accuse Libya of trying tain by unilateral action is not entitled to in law.

While there are many po disagreement between th countries, the Tunisians to be especially bitter abo one because they feel the the oil and the Libyans do

129 Vietnamese Are Rescued by Two Freighters

SINGAPORE, May 30 (AP).—A total of 129 Vietnamese refugees were rescued in recent days by two freighters in the South China Sea, it was reported today.

The Singapore freighter Vavajo rescued 94 Vietnamese during the weekend after receiving a distress call from a tugboat, the owners said. The tug was towed to Singapore.

The United Nations High Commission for Refugees is trying to find a country willing to take the Vietnamese, 43 of whom are children.

The Maritime Safety Agency said in Tokyo that a Japanese oil tanker picked up 35 Vietnamese, including 17 children, on Saturday and was taking them to northern Japan. The agency also said 37 Vietnamese rescued last week by a Liberian tanker were en route to the Japanese port of Kimura. The Liberian ship took the Vietnamese to Kagoshima, but officials there denied them entry without explanation, the agency said. Japan allows political refugees to stay until permanent homes can be found in other countries.

Belgian Found Home; Channel Search Ends

BRUSSELS, May 30 (Reuters).—An international air-sea rescue operation was called off tonight after a Belgian feared missing in a rubber dinghy in the English Channel was found safe and sound at home in bed.

The Belgian news agency, Belga, said that Pol André of Brussels was one of 40 members of a Belgian dinghy club who took their craft to England on a weekend shopping trip. The party was caught in a Channel storm on its way home last night and about 40 of them spent an uncomfortable night sheltering on a lightship. Mr. André took off by himself and was feared missing.

Tass Criticizes Young's Charg Of Soviet Raci

MOSCOW, May 30 (... Andrew Young, U.S. amba to the United Nations, reso "gross fabrications" whe accused the Russians and S of racism, according to the news agency Tass.

A Tass report Saturday mented on Mr. Young's re during and just followin recent trip to southern Afr

It noted that a prime s Mr. Young's mission wa proclaim the advent of a n in U.S. foreign policy with t to Africa and to try to assu African leaders of U.S. s striving for political and changes in southern Africa

But this proved difficult, said, because Mr. Young advocating peaceful negoti with the "racist regimes" in Africa and Rhodesia and "i insists on the preservation status quo in Africa's sout

"Having failed to achieve crete results in his tour drew Young resorted to fabrications," Tass said. commentary referred to Young's remarks last we London that the Russian "the worst racists in the w and that the Swedes are "t racists."

Wildcat Strike Continues at London Theate

LONDON, May 30 (UPI).—ain's National Theater could indefinitely if a backstage over a plumber goes on, th director Peter Hall warned t

Mr. Hall spoke four days all three productions at th tional's complex were halte the wildcat strike.

It began over a single plu fired after two warnings in presence of union officials his failure to repair a wash in the Olivier Theater, the la of the National's three toriums.

The wildcat strike hit F night only hours after cur were to rise. There were performances Saturday.

"We offered to reinstate man on full pay, pending enquiry," Mr. Hall said. union accepted the offer but the strikers.

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"Advertising is the first common language of Europe".

A candid interview with Marcel Bleustein-Blanchet, creator of French commercial radio, founder and chairman of the $400 million Publicis group, today, the leading network of European advertising agencies.

"As a small boy I used to dream about having an office on the most glamorous street in the world. Champs Elysées."

"When I started, I had one small client, and a Montmartre garret."

Small, even unlikely beginnings. 1926: nineteen-year-old Marcel Bleustein-Blanchet, the street-wise son of a Montmartre furniture dealer, rented two small rooms in north central Paris and opened an advertising agency: Publicis.

A simple, yet for the times, revolutionary idea: Advertising should communicate information, in an honest and straightforward way, to help ordinary people live better.

Christmas, 1927: Bleustein-Blanchet's first ad featured silverware and time pieces for a neighbourhood jewelry store.

Fascinated with communication, Marcel Bleustein-Blanchet turned next to radio – little more than an amusing curiosity in France during the 20s. Seizing upon a concept still in its infancy, Marcel Bleustein-Blanchet moved quickly to tap radio's potential as a means of popular communication and to pioneer its uses as a commercial medium.

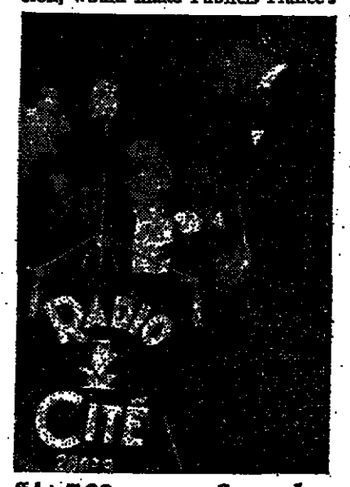
By 1929 Publicis had become the exclusive advertising representative for 18 Government stations in France. French commercial radio was born.

Five years later, when the French government banned advertising on their wavelengths, Marcel Bleustein-Blanchet bought an existing private station in Paris. At 7.30 a.m., on September 29th, 1935, Radio Cité went on the air.

Radio Cité introduced the first news broadcasts in France and went on to bring French listeners 6 a.m.-to-midnight broadcasting. Contests, commercial jingles, listener polls, talent hunts and on-the-spot reporting. Edith Piaf and Maurice Chevalier were first heard in French homes on Radio Cité.

By 1939 Publicis had diversified into motion picture distribution and was operating a chain of movie theaters in Paris.

Foundations were also laid for Régie-Presse which, along with later additions to the group's media division, would make Publicis France's leading media representative for print, radio, television, cinema, transport and outdoor advertising.



"At 7.30 a.m. on September 29th, 1935, the first French commercial radio station went on the air."

Then the outbreak of World War II. For Marcel Bleustein-Blanchet, escape underground through Spain to England. Enlistment in the Free Forces and bombing missions over Europe.

But for the founder of Publicis, a millionaire at 25, war had brought ruin at 40.

Yet starting from scratch Publicis achieved a spectacular renaissance in the first decade after the war, with Marcel Bleustein-Blanchet securing some of the agency's biggest international accounts, clients that remain with Publicis today.

"World War II changed everybody's life. I spent it flying in the 8th American Air Force."

"In 1972, fire destroyed the Publicis building completely."

1958: Another innovative departure. Le Drugstore. Inspired by the classic American corner drugstore, Marcel Bleustein-Blanchet improved on the concept by putting under one roof a pharmacy, newsstand and bookshop, restaurant, giftshop and movie theater.

Today there are four Publicis Drugstores in Paris. Fifteen thousand people a day shop at the Drugstore des Champs Elysées alone, making it the biggest money-maker per square foot of any store in Paris.

In September 1972, fire destroyed the crowning achievement of a lifetime's work: the Champs Elysées headquarters that the young Marcel Bleustein-Blanchet had vowed he would one day build on Paris' most glittering avenue.

Marcel Bleustein-Blanchet immediately began to rebuild Publicis – for the second time. Through the acquisition of two European agencies, Intermarco in 1972 and Farner in 1973. What emerged was a truly international group, organized in its operations to treat every advertiser as a national client.

The Publicis group: an international network of independently controlled local agencies.

European advertising in the service of national markets – Austria, Belgium, Denmark, Finland, France, Germany, Holland, Italy, Norway, Portugal, Spain, Sweden, Switzerland and the U.K.

"The new Publicis headquarters today; nothing is ever lost."

Marcel Bleustein-Blanchet on the future of advertising in Europe.

Q: The "second rebirth of Publicis" as you have often called it, and especially the acquisition of Intermarco and Farner, appear to have again taken Publicis in new directions. What is the philosophy behind the new group?

A: From a simple geographic point of view it was the perfect merger. By combining the Intermarco system in north and southwestern Europe and Scandinavia, with the Farner agencies in central Europe, we had a single network to cover the whole continent.

"I went to America, the one place I knew I could learn what advertising really was."

But there is something that's much more fundamental. To an extent, I still believe in Europe's provincialism. Europe is built on many cultures, and people are nationals first, and Europeans second – if at all. In fact, I don't believe you can talk about "Europeans" in the same way you talk about "Americans". Within our group, each national agency stresses its nationality while still being able to draw on the resources of a European network. You have to be strong nationally to be successful internationally.

Q: How does this approach benefit the advertiser?

A: Many European advertisers need this kind of decentralized, locally administered network. In our experience, every client is a national client. We don't see Nestlé, for example, as one international client. Our agencies deal with clients on a national basis, solving local problems locally. This is the way Europe is structured and I believe it needs an agency network that fits this structure. We have no "brand image": In Germany our image is German, in France, French. Decisions are not made in any one headquarters.

Q: Yet people still tend to talk about "Europe" as if it were a single market.

A: There are simply certain basic differences between the Latin and Anglo-Saxon cultures, just to take one broad example, certain incompatibilities that will never be resolved. But this is not to say that advertising generally speaking, doesn't have a certain pan-European role to play. Ten years ago I said that the first European language was advertising – to the extent that advertising talks to a great many different people, in essentially the same way, about the same products. And in providing the information necessary for a better life, I see advertising leading to the democratization of well-being in Europe. Advertising as one means of productive dialogue, that's what we learned from America.

Q: What else have you learned from America?

"Communication is a kind of synthesis: to make others know that you exist, and in turn recognize their existence."

A: At age 18, without knowing a word of English, I left for America, the one place I knew I would learn what advertising really was. I was like a Moslem going to Mecca. What I learned was very simple: You can't have good advertising for a bad product. My admiration for the United States comes from two things: democracy in communication and respect for public opinion. I returned with one desire, to make advertising a respected, responsible profession, something more than shrill claims and slogans. My father was horrified when I told him. "Advertising?", he said, "That's like trying to sell the wind".

Q: For Publicis, communication through advertising has obviously been much more than that – and for more than 50 years. To what do you attribute your success?

A: I have never accepted an account for anything that could not be sold without a valid argument. The Big Claim, the shrill slogan is like selling the wind and this is not advertising.

Fifty years later, I'm still prepared to do something more, something new. Today that means preventing advertising from returning to the Big Claim. I see too many sharp young ad types today for whom advertising has nothing to do with the client but is simply a way of impressing each other with their own clever expressions and drum-beating. People are a lot less naive than they think. The public reacts, it needs something more; people think of things besides just living. Happiness, we've learned, is more than just comfort.

Listen to the environmentalists.

This is why advertising is needed: We are the best interpreters of public opinion. We must communicate today what will be essential to know tomorrow.

Q: This must require a certain sensitivity to youth?

A: I went into the streets in May 1968, to the Sorbonne at the time of the barricades. It was incredible: the posters, the fantastic genius, the talent! This dramatic generation in blue jeans. I could understand their anxiety about tomorrow: 100,000 graduates without jobs. We're responsible for their future.

Q: Have you been able to use this youthful energy and talent?

A: One of the reasons that Publicis has always been a modern agency is that I've opened the door to any of our graduates, no matter what their field of study. In this way, Publicis has become, a university for a whole generation of advertising professionals. They discover here a profession they like, serve their apprenticeship and move on.

Q: In addition to your respect for the public and the constant turnover of young talent, what are Publicis' other strengths?

A: We were the first group to use diversification to such an extent. Advertising agencies, media representatives, television stations, cinema, radio, the Drugstores – it's a group of ideas, all with one objective: Dialogue with the man in the street through every means possible. We need to use every possible skill and science and technique in order to better serve the public and to take the public seriously.

We introduced the use of public opinion polls and motivational research in France. It's instinctive with me: You've got to tell the truth and to do this you must have the best instruments.

Q: Advertising as a profession today faces a number of social and political challenges. How does the Publicis group intend to cope with these challenges?

A: Advertising certainly has its detractors. We're accused of being a pampered profession, of encouraging waste and complacency, even of being decadent. We must respond with a stricter professional ethic, one more adapted to the times; there must be a sharper awareness of the social responsibilities inherent in every message delivered by advertising. This means a deeper and more conscientious dialogue with the consumer. Members of the profession must examine together the whole range of communication within society – the problems of the environment, of ecology, of relations with government – in order to define the best means of disseminating information.

"I still consider myself a young adman, who after 50 years in the business, loves it passionately."

What is critically important, however, is that advertising become healthy again. I think we've lost something as a profession. We must regain our simplicity. Our approach must be less complex. To do this we must be in closer contact with life – with people, with products, with advertisers. We've become fascinated with our own sophistication and in our fascination we've become moody. We must rediscover faith in ourselves, we must learn to smile. Advertising must grapple with life the way it is. Its mission is to sell good products well, to consumers that it does not regard as naive.

"Advertising is not a science, and will never be as long as it has to do with people and emotions."

INTERNATIONAL
Herald Tribune
Published with The New York Times and The Washington Post
Page 6— Tuesday, May 31, 1977

What Price Virtue?

In the end, the only measure of a foreign policy lies in the claims it is allowed to make on domestic interest. Worthy goals do not begin at the water's edge: they usually cost something that society is or is not persuaded to pay.

War is the extreme example: free trade the almost daily test. Without a domestic price, a policy of wishing other nations well and holding them cooperate is so much piety.

These pieties of our own, if you will, are inspired by President Carter's commendable —and unexceptionable—outline of a "new American foreign policy" at Notre Dame last week.

With malice toward hardly anyone and charity for most, with the promise of open diplomacy instead of secret "deals" and "manipulation," without slogans like "containment" or "alliance for progress" and without "inordinate" fear of Communism or "embrace of dictatorship, Carter proposes to promote human rights, collaborate with the Soviet Union and China, reach out to help the poorer nations and develop international institutions to face global problems.

Bland as they sound, these "cardinal principles" of the new administration are not without nettles: they can sting, depending on how they are grasped, as Carter discovered when he put it to the Russians on human rights earlier this year.

The citizen who supplies his own reality for the President's liberality with principle can easily work himself up to enthusiasm, or dismay. Combine his praise for Cardinal Kim of South Korea, for instance, with the verbal disengagement from "any dictator who joined us in our fear" of Communism, and it evokes the toughest threat yet to the repressive regime in Seoul.

Match the promise of help to poor nations with the demand that the Russians "join" in selfless giving and you can almost hear the proposal for a multibillion-dollar matching fund of American bounty, two dollars for every ruble. Take the summons to the Western allies "together" to shape a more decent life for all and it is possible to hear the plea that American industry and labor forswear protectionism for a higher national purpose.

But the President did not make these connections, or any others. The trouble lies not in his promise that virtue will be its own reward but in his implication that it has *no price*.

In what was billed as a major address of self-definition, the President in fact said much but committed little. Now that tariffs and import quotas are gaining popularity, he defined a foreign policy without any real discussion of trade.

Sensing the resistance to yielding sovereignty over the Panama Canal, he omitted any definition of a desirable deal. Knowing that the drive for "majority rule" in southern Africa will conflict with American business operations there, he simply overlooked this tension in our priorities.

Recognizing that explosive plutonium will keep spreading unless the United States yields control over some of its own uranium, Carter gave no hint of this painful trade-off. Knowing that Communists are knocking at government doors in France and Italy, he offered no clue to how or whether his policies might head them off.

When security and humanity come into conflict, how do we strike the balance? When prosperity at home and development abroad seem at odds, how much sacrifice can we bear?

When détente with the Soviet Union undercuts collaboration with our allies, what policies must yield? It is not after all the problems of the world that changed with Carter's election, only some of the American answers. His diagnosis of our posture was splendid. His prescription for our conduct remains to be defined.

THE NEW YORK TIMES.

Risks of Korean Withdrawal

Gen. Singlaub apart, almost everyone in Washington agrees that it's safe to remove ground troops from South Korea, if we use our other forces and our supply pipeline and our diplomacy to keep the balance. What is only now heaving into general view, however, is the disagreeable fact that there may be a price to be paid—in human rights and possibly in nuclear proliferation as well.

No doubt the repressions of South Korean President Park have various causes. But one of them, surely, is his perceived need to batten down the domestic hatches at a time of gathering international uncertainty. For him, the uncertainty, and the battening down, have arisen from the Nixon, Ford and now the Carter decisions to reduce American military exposure on the Asian mainland. So it is that Mr. Park's political opponents seem even more alarmed than he by the planned troop withdrawals. They share their government's fear that North Korea may try to take advantage of the pullout. In addition, they fear that it will precipitate further domestic crackdowns.

Rational people here will tell the Koreans that by cracking down, they threaten future aid. Koreans will reply that, the more the United States unlinks its own fate from the fate of Korea, the less will Seoul feel obliged to heed Washington's advice on human rights.

The other day a Park aid suggested that Korea might develop its own nuclear bomb if Washington were to decide later to remove its tactical nuclear weapons as well as its troops. The Carter administration vigorously opposes the spread of nuclear arms, of course. Korean movement in that direction would further fray an American commitment already weakened by time and by South Korean repressions. But it is the United States that established the nuclear precedent in Korea and thereby whetted the Koran military's nuclear appetite. And it is the United States—by withdrawing its ground forces and thus removing the one element that would guarantee American involvement in a crisis—that is feeding Korea's feeling of being abandoned and thereby focusing Korea's thoughts on alternate means of self-reliance.

This is not to say that troop withdrawal is a bad idea. It is to say that unless it is managed with exquisite care, other major interests of the United States will be seriously jeopardized. The simple slogans of withdrawal are poor guides to the complexities of the situation on the ground.

THE WASHINGTON POST.

International Opinion

No Glory to Africa

There is no way in which Idi Amin's presence at the Commonwealth conference in London next week could bring glory to Africa.

Amin's defiance of the world at large may be a narcotic for his king-size ego, but it can't possibly enhance Africa's image in the eyes of the rest of the world.

If Amin does succeed in attending the Commonwealth conference, all other African leaders must walk out from the conference, because Amin has disgraced Africa.

—From the Times of Zambia.

A Bold Attempt

President Carter's speech made a bold attempt to outline the basis of a foreign policy which reflects both the American people's attachment to democracy and human rights and the changes that have taken place in the distribution of power and influence in the world. It is in action that Mr. Carter's policy will be tested. What will now be his attitude towards valued anti-Communist allies, such as South Korea or Iran, who are heavily supplied with American arms, but whose human rights record is deplorable? And how will he deal with other Third World countries which lack democratic institutions? Above all, will the United States be prepared to put more hard cash behind its sympathy for the poorer countries, and to make the North-South dialogue meaningful rather than a mockery of the plight of the developing world?

—From the Observer (London).

White Amin Imagined

Imagine, if you can, a white Amin, one tenth as tyrannical—would the African and Asian members of the Commonwealth have agreed to attend any conference from which he was not formally and categorically excluded?

It is enough to ask the question to know the answer.

The Commonwealth, if it is anything, must strive to be a forum where racial equality is an ideal to be revered above all others. Yet it operates double standards that amount to color discrimination.

For as long as the bestial Amin regime endures, Uganda should be suspended from the Commonwealth.

—From the Daily Mail (London).

In the International Edition

Seventy-Five Years Ago

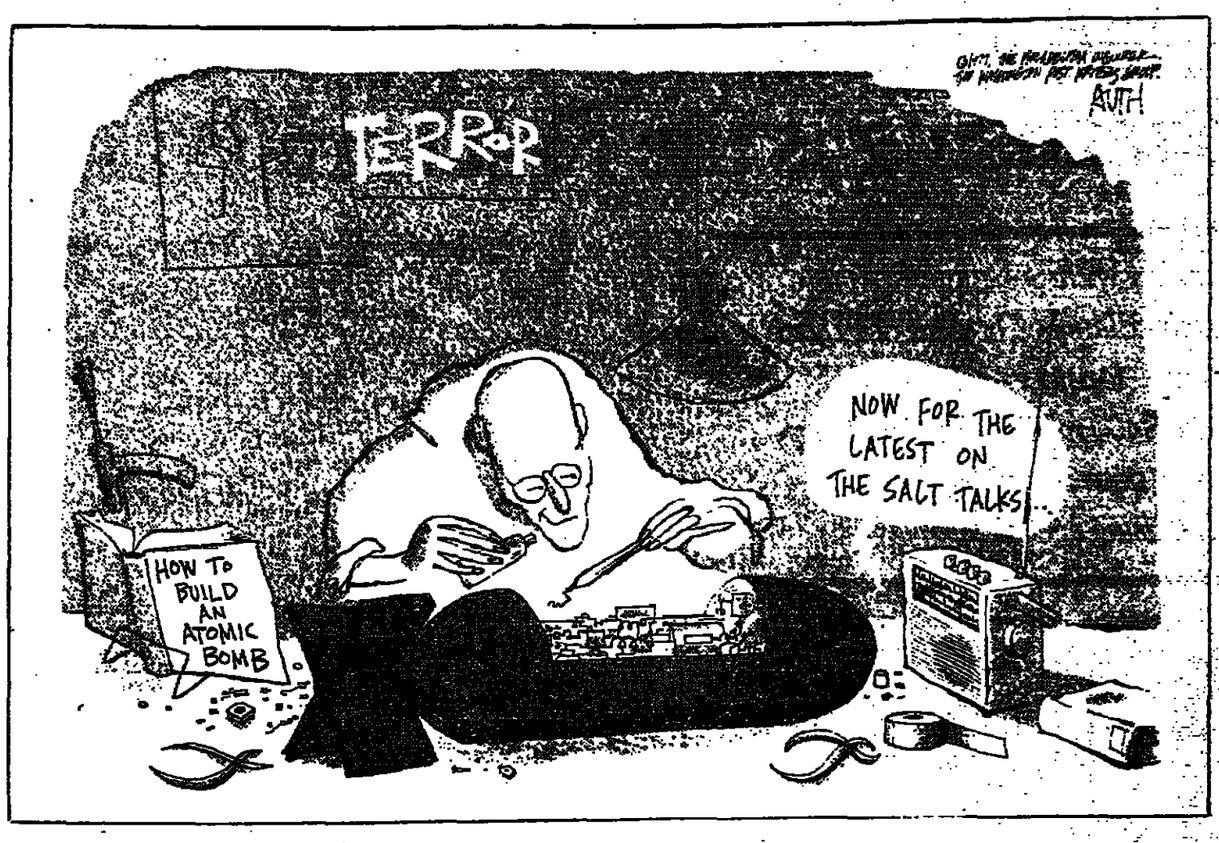
May 31, 1902

NEW YORK—According to reports credited in well-informed official circles in Washington, the President contemplates important changes in the representation of the United States abroad, which should come into effect in July. The Ambassadors in Berlin, Paris and Rome, and the Minister in Madrid, are likely to be replaced, and the Minister at Peking is likely to be retired.

Fifty Years Ago

May 31, 1927

CHICAGO—A mere man had the honor of opening the 3d annual Women's World Fair and Exposition recently showing more than 125 activities of women throughout the world in business, industry and the home. The man was Vice-President Charles G. Dawes. Each day of the fair will be given over to some particular activity in which women from all over the world have distinguished themselves.



Romania: 'Kiss the Hand You Cannot Bite'

By William Beecher

BUCHAREST.—Paul Goma, Romania's leading dissident, is out of jail. But he is not free.

Goma, the most well known in the West of a relatively small number of political and religious dissidents here, was released from prison May 6, according to reliable diplomatic sources, after 34 days behind bars. There was no announcement either of the jailing or the release.

But sources said he and his wife and child have been moved to a different apartment having no phone. And he has been forcefully warned that any further move on his part to contact Western reporters, fellow dissidents, friendly Western embassies or Radio Free Europe will be dealt with sternly.

Under the State Secrets Act it is illegal for any Romanian citizen to have unauthorized contact with Westerners. Heavy surveillance has been placed around Goma and some of his cohorts to insure their isolation from one another and from the West, sources said.

Quiet Side

In some respects Goma, a novelist who has trouble getting published at home, represents the quiet side of American diplomacy on behalf of human rights, just as Andrei Sakharov, the Soviet dissident, represents the noisy, public side.

Both wrote letters to President Carter appealing for his intercession to relax the repression against them and their fellow dissidents. Carter answered Sakharov's letter and triggered an angry debate with the Soviet Union. But, so far as can be determined, Goma's letter has not been answered, nor have American officials spoken publicly in his behalf.

But just before his release, it is understood, a top State Department official called in the Romanian ambassador to the United States and, among other things, complained about the treatment of dissidents.

It may well have been a coincidence, but one day later the Romanian government issued a sweeping amnesty decree, wiping out or reducing sentences against 1,950 convicted felons, and eliminating charges against 9,000 awaiting trial. Goma was one of the latter.

Romanian Way

Dissidence does not appear to be widespread in Romania, experienced diplomats said. "There is no tradition of fierce partisan fighters, as in Yugoslavia, there is no tradition of militant workers as in Poland. There is no tradition of hot-blooded intellectuals, as in Czechoslovakia," a diplomat noted. "There is an old proverb here: Kiss the hand you cannot bite. That is how the Romanians over the centuries have accommodated to a succession of invaders and despots."

Romania's is regarded as one of the most repressive regimes in Eastern Europe. The conventional wisdom is that President Nicolae Ceausescu is able to get away with an independent foreign and economic policy by demonstrating to Moscow absolute Communist orthodoxy and domestic control. He may also feel that in trying to boost Romania into becoming a viable industrial society very rapidly, tight control is necessary to support the austerity, hard work and sacrifice that he calls upon the people to endure in quest of a better life.

Thus, a man like Goma is unusual. He apparently decided to go public with his complaints after a group of Czechoslovak intellectuals published Charter 77, a human rights manifesto calling on their government to live up to its pledges in the 1975 Helsinki agreement, and after hearing reports of President Carter's speeches on behalf of human rights.

Goma early this year wrote a letter supporting the Charter 77 effort and followed it up with his own version, calling on the Romanian government to live up to the guarantees of free expression in its own Constitution.

He didn't get much attention in the West until the March earthquake, which brought in hordes of Western newsmen. After writing their quake stories, they sought out this man, who freely passed them various statements he had written. This notoriety caused a problem.

For a while the regime tried to finesse the problem. It didn't want to create instant martyrs. Some dissident writers suddenly were told they would be published. Others were given passports and allowed to emigrate. Goma himself was called in twice for heart-to-heart talks with the Communist party secretary for ideology, but to no avail.

It was a time when the government was appealing for national unity, daily overtime work and an additional day of work one Sunday out of every four, to try to rebuild after the earthquake and the dissidents were, at such a moment, continuing to sow discontent. So in early April a significant number were jailed.

There are three categories of dissidents here:

First, Goma and what is believed to be a relatively small number of highly principled intellectuals who felt it was time to stand up and fight in an attempt to loosen the repressiveness.

Second, an estimated two hundred or so persons who also signed his statement, but who some observers believe were more interested in associating with his movement in order to get the right to emigrate, which is extremely difficult to do. Some of them succeeded.

Third, a significant number of dissident Baptists, by some estimates about 20 per cent of the 200,000 Baptists in Romania. They are unhappy about government efforts to prevent them from proselytizing and for discrimination in jobs and educational opportunities for their children, who are often denied necessary recommendations for college entry. They particularly expected help from their fellow Baptist in the White House.

Some Beaten

People in all three categories were jailed, some of them beaten up.

Goma, it is understood, was not physically abused.

An effort was made to persuade them to recant their support for human rights. All were threatened with retaliation if they continue their active dissidence after release.

Some have repudiated their signatures on Goma's statements, it is understood. Others are merely sullen, shaken, dispirited. It will be difficult for them to try to re-establish their grapevine for passing information, given the increased surveillance. Whether they will speak publicly again, say about the time of the Belgrade conference next fall to review progress under the Helsinki agreement, is anybody's guess.

A walk down the sunny boulevards of Bucharest offers no hint of their presence. There are long lines at butcher shops whenever fresh meat comes in, but you don't hear the muttering over shortages as in Warsaw.

Every block in the downtown area has shops, kiosks and little rickety tables offering every variety of sweets, cookies, pastries, ice cream, crullers. And they are all busy, all day long. Indulgence in quick snacks seems a way of demonstrating that life is improving, and is full of pleasant respites.

But very few people look directly at an American sauntering toward them. With some it is obvious that they look away, lest the stranger try to chat and bring trouble. But there are a number of brave souls who study the American from tip to toe and then, just before passing, flash him a very broad smile. It is a statement on their part, and under the circumstances, a lovely one.

'International Morality'

By David S. Broder

WASHINGTON.—In his classic study of American foreign policy, "In Defense of the National Interest," Hans J. Morgenthau wrote that "the illusion that a nation can escape, if it wants to, from power politics into a realm where action is guided by moral principles rather than by considerations of power is deeply rooted in the American mind."

That reminder is needed, now, when the leading voices of the new administration are joined in an effort to persuade domestic public opinion that we are emerging from the dark night of Henry Kissinger's diplomatic duplicity into the bright new day of Jimmy Carter's international morality.

A re-emphasis on moral principles as the root of international policy was both necessary and proper after the pervasive cynicism induced in the American public by the contorted rationalizations successive presidents used to defend the foredoomed American intervention in Indochina.

Carter sensed that need, and the promise to give the nation a foreign policy "that can make us proud again" was a central element in his successful campaign for the presidency.

He has reiterated that intention as President, most recently in his commencement address at Notre Dame University, pledging "a new American foreign policy... based on constant decency in its values and on optimism in its historical vision."

The first plank of that policy, Carter said, would be "America's commitment to human rights as a fundamental tenet of our foreign policy."

Carter's "human rights" foreign policy is the spiritual descendant of Woodrow Wilson's crusade to "make the world safe for democracy" and Franklin D. Roosevelt's espousal of "the four freedoms."

To say that is neither to condemn it nor to praise it. It is simply to identify it with what Morgenthau correctly called the recurring American impulse to lift foreign policy beyond the crass constraints of power politics and onto the lofty plain of high moral principle.

Ruin or Redemption

But as the earlier examples of Wilson and Roosevelt remind us, a heavy dose of moralism can lead a president to either the ruin or the redemption of his realistic aspirations in the international arena.

The lesson has not been lost on Carter. In his Notre Dame speech he said, "I understand fully the limits of moral suasion." He rejected any suggestion that "we can conduct our foreign policy by rigid moral maxims."

Clearly, Secretary of State Vance understands both the importance and the inherent limitations of the moral element of foreign policy. His Law Day address on human rights, delivered at the University of Georgia a month ago, is an exceptionally balanced and careful exposition of the ways in which American principles can be applied to the variety of real-world situations.

Less reassuring, by far, was the interview that Carter's national security adviser, Zbigniew Brzezinski, gave U.S. News and World Report last week. It is full of sweeping generalizations about "stages of history" and "historical irrelevance" and is marked by a disdain for that which is merely "expedient."

If the tone of his memos to the President is like that of his public comments, one must fear that Brzezinski feeds—as much as or more than Vance curbs—the sentimental and moralistic tendencies in Carter's own thinking.

The main concern at the moment, however, is not the battle for the President's mind, but the need to discipline our own thinking. To the extent that the heavy dose of moralism now being prescribed from Washington makes Americans "feel very good" about the country's foreign policy (to use Vice-President Mondale's phrase), we are likely to be lulled into forgetting that while moral principles can provide a base for our foreign policy, they are not, in themselves, a policy.

They become a policy only when they are applied to the practical problems of international affairs, as Vance outlined in his speech, in a manner that not only reflects the values of our country but protects its interests as well.

There is no inherent conflict between values and interests, but policy can be fatally flawed when either is ignored.

As a people, we are all too prone to gasp in admiration of a President's exposition of moral principles, and to fail to judge whether he has grasped the hard nettle of the problem.

Uncomfortable as it is to recall, it was not too long ago that we allowed Lyndon Johnson to justify the American intervention in Vietnam on the argument that we were bringing the concept of one-man/one-vote to the Mekong Delta.

History shows that the more our leaders talk of moral principle, the more important it is that we ask how the transaction will affect America's national interest.

Letters

Atomic Safeguards

Mr. Enrico Jacchia (IHT, May 26) is describing the 1968 Euratom internal safeguards system which applied only to Euratom countries and not international safeguards under the NPT which entered into force on May 5, 1970.

In fact the agreement between Euratom and the IAEA on safeguards only came in force this year on Feb. 22, i.e. 9 years after this event took place.

In 1968, neither the shipper (Belgium) nor the receiving country (Italy) had a safeguards agreement with the IAEA.

I cannot understand the relevance of what is described as "Dr. Eklund's attack on President Carter's nuclear policy." On the contrary, he advocated in Tehran a strengthening of IAEA's international safeguards system. As you know, the strengthening of the agency's safeguards system is a main part of the bill presented to Congress by President Carter on April 27.

GEORGES DELCOIGNE,
Chief, Public Information,
International
Atomic Energy Agency.
Vienna.

Behind Kremlin's Shuffling

By Joseph Kra

MOSCOW—A "deepening ist democracy" was proc by General Secretary Brezhnev when he present draft of a new constitution spring plenum of the part tral Committee last week even as he spoke, events int that rule in the Kremli smacks less of constitutions than of push and shove.

For besides approving th constitution "in main plenum also decided to de veteran Soviet leader, Pr Nikolai Podgorny. That d made in secret without a planation, came amidst s acrimony that loosed a f rumors about the Soviet ship.

Behind all this there anomalies imposed by politics on Soviet history. new leader has rewritten t of the past, magnifying h achievements by undoing opting those of predi When Brezhnev reached f he too faced the task of e his place in history.

A new constitution offe obvious device. The last constitution, put through by Stalin, was famous contrast between rights in theory and arbitrar carried out in practice. was known through thi thin as the "Stalin consti

Hard Push

The idea of a new, more constitution was first prop Nikita Khrushchev at t Party Congress in 1961. B picked it up after the Khrushchev and made it his own. He pushed hard peatedly for a draft, and i ed likely that one would faced at the 25th party c in February, 1975.

Certainly the innovation announced seem im enough. There will be h phasis on class struggle and autonomy within the Soviet and on confrontation w world outside Russia. section on rights will featu socialist standbys as the r a job, a decent educati medical care.

But giving up such slo "dictatorship of the prol and "capitalist encirclem parently drew bitter op from the ideological wa led by Mikhail Suslov, a party secretary who se stand second to Brezhnev Soviet pecking order. Th sition delayed approval of t constitution beyond the congress.

Brezhnev then set his a the 60th anniversary this the Bolshevik Revolutio apparently won Suslov's a of a draft quite recen

Backstage Troul

According to those pres cussion of the new consti the plenum was "business orderly." But backstage th trouble over a decision Podgorny as a member Politburo, a step that n strips him of his role as the Supreme Soviet, or leg and President.

It was the announceme signaled the trouble: Unl similar announcement—th that of Khrushchev's oust one came without the usua fictions of health, age or ment.

Podgorny is 74 and h been known as a figu unconnected with eith Brezhnev faction in the ship or the Suslov group. most certainly the reason shabby treatment is that fused to go quietly. But w Brezhnev bother to drop a head? That question set agog with speculation ea week, and yielded three theories.

One was that Brezhnev to be both general secreta president. In that way h couple the real and the power and deepen furth claim to historic stature.

A second theory wa Brezhnev wanted the job commodate or weaken ou "watchdog" factions under —perhaps Prime Minister Kosygin.

A third theory was t wanted the presidential perhaps Kosygin's job protégé whom he hoped t for the succession.

Whatever the truth, th no denying Brezhnev's supremacy. What is in d whether he can manage without, as Stalin and K chev did, setting in motion that outrun his control.

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ɔn Paris
/ Map

e Dorsey

) (IHT).—PUNK: Bunkum.
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Chains

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Barthélemy-Sipa-Press.

A punk "Marilyn" and friend at Régine's.

atching up with international ho is all business, was mainly ining up New Jim*al boîte* on the ı has been going she opened her d more elegant

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Chains

ıal, squatty and who managed a all coat, fatigues, *ge cigar. Others* skin-tight black ped by marabou ousons dripping ns and hiked-up ies included cklaces, heart- and safety-pin e herself, armed ns (essential to waited for people d anybody even was immediately and mercilessly pinned up and down.

As for the buffet, laid out on a flowered plastic tablecloth, it was punky all right. Paté was served in chamberpots and a big sign reading "Ordures" (garbage) hung over the food. The walls and ceiling were hung with limp plastic gloves and gold refuse bags. Nauseating? Right. But that's punk.

A minor sensation was a girl who looked like the spitting image of Marilyn Monroe. Same bewildered eyes, same bewitching smile and same black-satin-draped seductive *derrière*. Asked if she was aware of it, she smiled modestly and said: "That's the idea."

Actually, she had just been cast in a film called "Doubles," and turned out to be an Australian model, fresh from Sydney.

Twisting Again

Régine opened the dance by doing the twist (the dance that made her famous in the '50s) with old-timer Philippe Junot. Some of Régine's guests were too old, too rich and too famous to be mixed up with all that.

The Mayrinck-Vegas (they're from Brazil), whose bored looks are famous in international salons, looked even more bored than usual. Cappy Badrutt, unflappable in impeccable white crêpe pajamas, was escorted by Count Giovanni Volpi, the only normally dressed man around, in tweed jacket and tie. Beno Graziani and Sabine de la Brosse (from Paris-Match) were there, on semi-professional duty. But that crowd promptly switched off and made for the door while hoards of punky and sub-punky people tried to crash in—with the police controlling the fights.

Régine was not the only one in Paris to catch up with punk. While she saw only the innocuous, sartorial side of it, Le Canard Enchaîné this week, in an article called "Hic and Punk," discusses the meaning of punk and even *punkitude (which, they say,* means rotten in American slang). After being told that people who hang around Le Coupole are punk, Le Canard decided that those people have been punk for the last 20 years, and so what else is new.

Le Canard also said that this was a money-making gimmick (be it fashion or literary) and it is all due to the impending coming of, what else but the left.

Performed at Paris Hospital

A Radical Operation for the Deaf

By Betty Freudenheim

PARIS (IHT).—Helen Dionne, 16, looks perfectly capable of getting around Paris, like any other teen-age tourist, but she is handicapped. She is totally deaf and has been so since birth.

"The blind attract pity and consideration," her mother, Mrs. Hilda Daveluy, said. "People always help them across the street or whenever they have problems, but nobody helps a deaf girl. She looks too normal. The deaf are often considered stupid and laughed at because of their speech. They are set apart, almost like lepers. The blind can participate in conversations, enjoy and play music, explain their problems. The blind can laugh at others' jokes; the deaf are cut off from all this."

Mrs. Daveluy and her daughter are in Paris, not as tourists, but to see Dr. Claude-Henri Chouard at the Hôpital St. Antoine. He performs a radical new operation that could enable Helen to "hear."

An article in their Montreal newspaper reprinted from Le Monde prompted them to come to Paris. It described the operation: Dr. Chouard implants eight electrodes in contact with the auditory nerves. These are connected to a receiver beneath the skin near the ear. With the aid of an antenna attached to eyeglasses and a box containing the transmitting device and batteries, the deaf can "hear."

"The sounds they will hear are not normal hearing," explained Dr. Chouard, "The difference is noticeable for those who have lost their hearing, especially for those who were music lovers. They can recognize tunes they heard as children, but they should not count on this instrument to restore remembered musical pleasures.

"If you think of normal hearing as being like listening to each of the notes of a piano keyboard, what these people hear is the equivalent to hearing whole octaves being played one after another."

Dr. W.F. House, a U.S. doctor, has implanted a single electrode in his patients' ears. "This would be like playing the whole keyboard at once," Dr. Chouard said.

A tape recording of a sentence spoken normally and then repeated through the machine showed the difference: You can hear those familiar noises, but you just can't quite make out the words.

"It is similar to learning a foreign language," the doctor said. Several months' training is necessary after the operation. For deaf mutes, voice control improves rapidly as they hear their own voices.

Dr. Chouard has performed the operation 34 times and has 20 more patients scheduled for the rest of this year. Before operating, the doctor has to ascertain that the nerves are intact. This is done by minor surgery under a local anesthetic.

The eardrum is tilted back and the patient exposed to electrical accoustical vibrations. These give a sensation of sound if the nerves are healthy and nothing if they are dead.

"Eighty per cent of the 200 patients I have tested have normal nerves," the doctor said. The rate was also high among those who contracted illnesses which brought on the handicap.

His youngest patient so far was 17, but he expects to operate on children of 10 and younger by next year.

"We can't help those who are under 5 because the box they would have to carry with them is too heavy (5 pounds)," he said. "But we hope to miniaturize them in the future." The box is carried like a shoulder-strap purse and the batteries removed and recharged each night. The boxes, which cost $10,000, take three months to be made to order.

"For the moment, the appliance is not for sale to other doctors. I don't want to be blamed if they do something wrong," he said.

Dr. Chouard believes he is the only doctor in the world who has performed this operation. "I announced the first results at a convention of specialists in March in Buenos Aires. There were many Americans, Japanese and Europeans who were interested." He will begin giving courses to other specialists by the fall of next year.

Dr. Chouard, Mrs. Daveluy said, "gave us a special appointment at 7 a.m. because we had come all the way from Canada, but it seemed as though he had been working in the office since 6. I kissed him on both cheeks and told him that his work is not just the greatest miracle of the century, but since the world began."

"We now know that the nerves are all right, so it is up to Helen to make the decision about the operation. She is not so sure now, but if she does decide to go ahead somehow we will find the money and come back to Paris to make it possible," said Mrs. Daveluy.

Australia and China Start Zoo Exchange

PEKING, May 30 (Reuters).—Australia yesterday handed over a selection of its unique animal and birdlife to China as part of an exchange program between the Peking Zoo and Sydney's Toronga Park Zoo.

Australian Ambassador Gary Woodard handed over a kangaroo, wallabies, wombats and a kookaburra to the vice-director of the Peking Revolutionary Committee, Wong Hsiao-yu.

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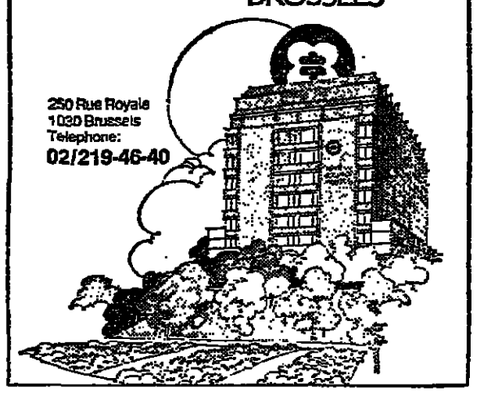

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From 'Through the Looking-Glass'

ressed Episode by Lewis Carroll

er Dunning

(NYT).—A supsode from Lewis gh the Looking- encounter with ien-haired wasp, have been lost rill be published the Lewis Carroll h America.

was expunged en's classic after el, the illustrator, wing the insect. the author, Sir

me brutal, but I y that the 'wasp' t interest me in that I can't see icture." A wasp id, is "altogether liances of art."

s were preserved fter his death in ased by a man as "an unknown ey were auctionParke Bernet in ality of the buyer y established. narked with the is and his note rial, were bought or approximately -book dealer for ollector, Norman rmour has just y permission to ound copies and ion.

rtion, the Lewis of Great Britain y back the galish Library, and n of Mr. Armour American Society h of a year and episode will be book style with and notes by the author of Alice."

uctance to comutions has puzzled Carroll in view sion of "snapd for the book, ustrator, a Punch allow himself an y such as giving he face of Prime in Disraeli. Edthe chairman of the society, atfusal to friction hor and artist, get along so well," said. "'Alice in ade his fame, but luctant to do the r 'Looking-Glass' ier illustrator he again with Carroll eccentric and too

Gardner, some s who have seen galley feel that the wasp episode is less inventive than the rest of the book. The chapter, which has been made available to The New York Times by Time magazine, has a particularly peevish ring to it.

Blond Wig

The wasp is feeble and querulous and admits to Alice that his life has been ruined by his tousled blond wig, which he covers with a yellow handerchief. In his youth, he says, he had been advised to shave his ringlets and now he is mocked by all.

"And still, whenever I appear," he intones, "they hoot at me and call me 'pig!' And that is why they do it, dear, because I wear a yellow wig."

Their colloquy, as taken from the galleys, continued:

"I'm very sorry for you," Alice said heartily, "and I think if your wig fitted a little better, they wouldn't tease you quite so much."

"Your wig fits every well," the wasp murmured, looking at her with an expression of admiration. "It's the shape of your head as does it. Your jaws ain't well shaped, though—I should think you couldn't bite well?"

Alice began with a little scream of laughing (or laughter in a written marginal afterthought), which she turned into a cough as well as she could: At last she managed to say gravely, "I can bite anything I want."

"Not with a mouth as small as that," the wasp persisted. "If you was a-fighting, now—could you get hold of the other one by the back of the neck?"

"I'm afraid not," said Alice.

"Well, that's because your jaws are too short," the wasp went on. "But the top of your head is nice and round."

Author's Reputation

How much of this discovery will add to the author's reputation, apart from its historical value, is uncertain. Mr. Giuliano felt that the episode added a quality of humanity to Alice that is largely missing from the rest of the book.

"Carroll's reputation as a writer, logician and photographer has never been higher than it is today," he said. "And all his themes, his wordplay, all he's ever done is in that episode. It has his thumbprint."

He dismissed the theory that the wasp was a self-portrait. "Carroll did always think of himself as an old man, even at 30," he said. "But he was a prim and proper Victorian who would never consciously think of himself as lower class, as the wasp is. There's a good possibility, though, that Carroll speaks subconsciously through the character at times."

The book, which is the second in a series of Lewis Carroll studies available free to members of the society, has been printed in a deluxe limited edition by the Angelica press in New York City. It will be available at $10 in August through the Lewis Carroll Society of North America in Silver Spring, Md.

ON THE ARTS AGENDA

Monteverdi's "L'Incoronazione di Poppea," with Carole Farley in the title part and Eric Tappy as Nero, has been given a new production by the Lyons Opera at the Auditorium Maurice Ravel, staged by Louis Erlo and with sets and costumes by Yannis Kokkos and Christine Marest. A final performance has been scheduled for May 31.

* * *

The 57th Toulon Music Festival, which is continuing to July 12, opened with the final rounds of an international trombone competition, and continues with a performance of "Swan Lake" by the Ballet du Rhin, concerts by the Orchestre de Lyon under Serge Baudo, the Netherlands Radio Orchestra under Jean Fournet, the Pro Arte Orchestra of Munich under Kurt Redel, the Lucerne Festival Strings and the Vienna Chamber Orchestra with Philippe Entremont as conductor and piano soloist. Olivier Messiaen and Yvonne Loriod perform the composer's works on two pianos and Jacques Charpentier improvises on the organ accompanying Dreyer's silent film "La Passion de Jeanne d'Arc." (Festival de Toulon, Palais de la Bourse, Avenue Jean Moulin, 83000 Toulon, France.)

* * *

"Gardens in France (1760-1820)" is the title of an exhibition organized by the Caisse Nationale des Monuments Historiques and running until Sept. 11 at the Hôtel de Sully in Paris. The two sections of the show are built around the historic, geographic and aesthetic sources of the gardens of the epoch, and the natural elements used in the gardens. Three examples are analyzed in depth—the Parc Monceau in Paris, the Désert de Retz at Chambourcy and the Garenne-Lemot at Clisson.

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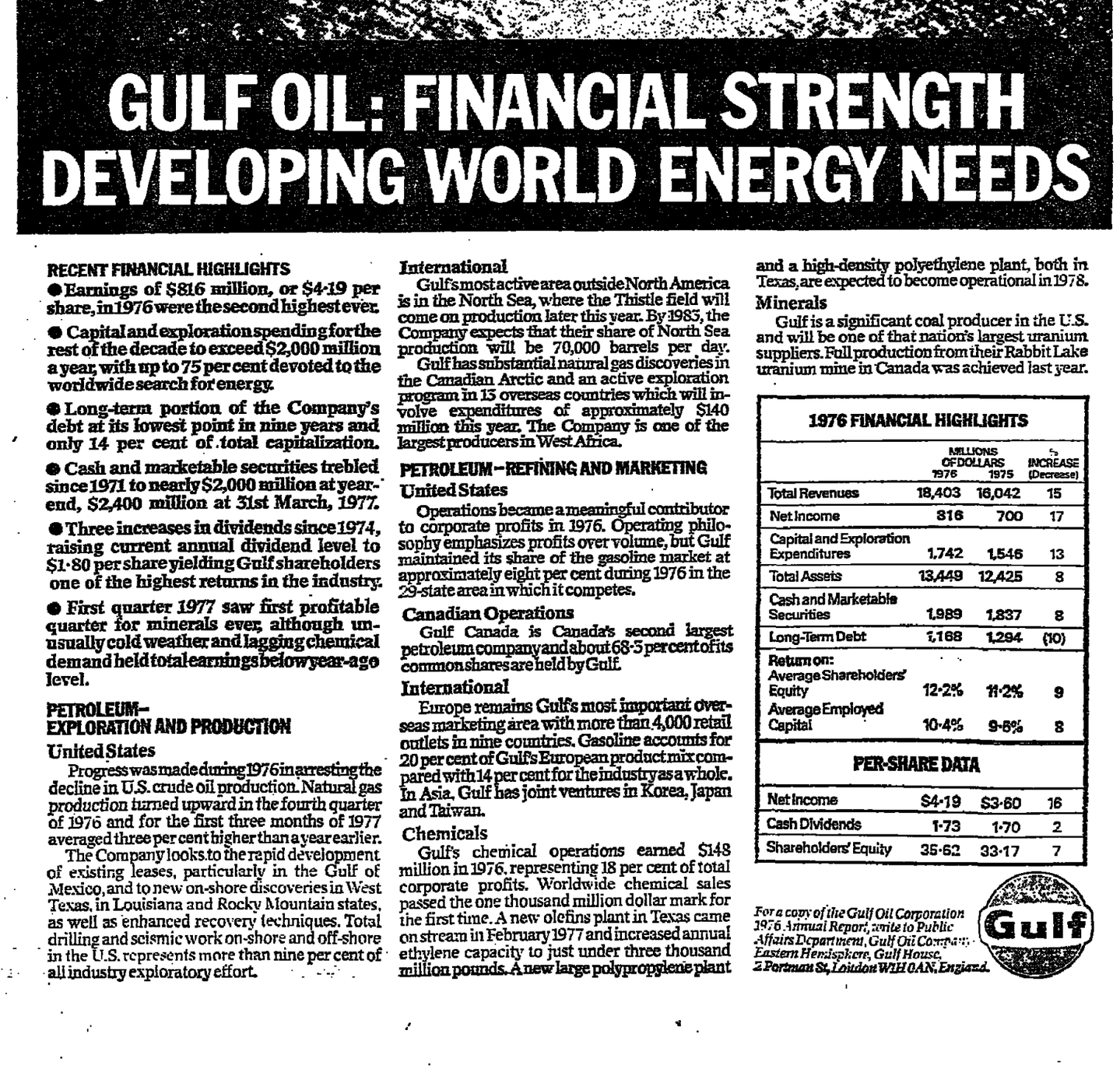

GULF OIL: FINANCIAL STRENGTH DEVELOPING WORLD ENERGY NEEDS

RECENT FINANCIAL HIGHLIGHTS

● Earnings of $816 million, or $4·19 per share, in 1976 were the second highest ever.

● Capital and exploration spending for the rest of the decade to exceed $2,000 million a year, with up to 75 per cent devoted to the worldwide search for energy.

● Long-term portion of the Company's debt at its lowest point in nine years and only 14 per cent of total capitalization.

● Cash and marketable securities trebled since 1971 to nearly $2,000 million at year-end, $2,400 million at 31st March, 1977.

● Three increases in dividends since 1974, raising current annual dividend level to $1·80 per share yielding Gulf shareholders one of the highest returns in the industry.

● First quarter 1977 saw first profitable quarter for minerals ever, although unusually cold weather and lagging chemical demand held total earnings below year-ago level.

PETROLEUM—EXPLORATION AND PRODUCTION

United States

Progress was made during 1976 in arresting the decline in U.S. crude oil production. Natural gas production turned upward in the fourth quarter of 1976 and for the first three months of 1977 averaged three per cent higher than a year earlier.

The Company looks to the rapid development of existing leases, particularly in the Gulf of Mexico, and to new on-shore discoveries in West Texas, in Louisiana and Rocky Mountain states, as well as enhanced recovery techniques. Total drilling and seismic work on-shore and off-shore in the U.S. represents more than nine per cent of all industry exploratory effort.

International

Gulf's most active area outside North America is in the North Sea, where the Thistle field will come on production later this year. By 1985, the Company expects that their share of North Sea production will be 70,000 barrels per day.

Gulf has substantial natural gas discoveries in the Canadian Arctic and an active exploration program in 13 overseas countries which will involve expenditures of approximately $140 million this year. The Company is one of the largest producers in West Africa.

PETROLEUM—REFINING AND MARKETING

United States

Operations became a meaningful contributor to corporate profits in 1976. Operating philosophy emphasizes profits over volume, but Gulf maintained its share of the gasoline market at approximately eight per cent during 1976 in the 29-state area in which it competes.

Canadian Operations

Gulf Canada is Canada's second largest petroleum company and about 68·5 per cent of its common shares are held by Gulf.

International

Europe remains Gulf's most important overseas marketing area with more than 4,000 retail outlets in nine countries. Gasoline accounts for 20 per cent of Gulf's European product mix compared with 14 per cent for the industry as a whole. In Asia, Gulf has joint ventures in Korea, Japan and Taiwan.

Chemicals

Gulf's chemical operations earned $148 million in 1976, representing 18 per cent of total corporate profits. Worldwide chemical sales passed the one thousand million dollar mark for the first time. A new olefins plant in Texas came on stream in February 1977 and increased annual ethylene capacity to just under three thousand million pounds. A new large polypropylene plant and a high-density polyethylene plant, both in Texas, are expected to become operational in 1978.

Minerals

Gulf is a significant coal producer in the U.S. and will be one of that nation's largest uranium suppliers. Full production from their Rabbit Lake uranium mine in Canada was achieved last year.

1976 FINANCIAL HIGHLIGHTS

	MILLIONS OF DOLLARS 1976	1975	% INCREASE (Decrease)
Total Revenues	18,403	16,042	15
Net Income	816	700	17
Capital and Exploration Expenditures	1,742	1,546	13
Total Assets	13,449	12,425	8
Cash and Marketable Securities	1,989	1,837	8
Long-Term Debt	1,168	1,294	(10)
Return on: Average Shareholders' Equity	12·2%	11·2%	9
Average Employed Capital	10·4%	9·8%	8
PER-SHARE DATA			
Net Income	$4·19	$3·60	16
Cash Dividends	1·73	1·70	2
Shareholders' Equity	35·62	33·17	7

For a copy of the Gulf Oil Corporation 1976 Annual Report, write to Public Affairs Department, Gulf Oil Company - Eastern Hemisphere, Gulf House, 2 Portman St, London W1H 0AN, England.

Gulf

Eurocurrency Interest Rates

	Dollar	German Mark	Swiss Franc	Sterling
7 D.	[illegible]	[illegible]	—	[illegible]
1 M.	[illegible]	[illegible]	[illegible]	[illegible]
3 M.	[illegible]	[illegible]	[illegible]	[illegible]
6 M.	[illegible]	[illegible]	[illegible]	[illegible]
1 Y.	[illegible]	[illegible]	[illegible]	[illegible]

International Stock Indexes

	Yest.	Prev.	1977 High	1977 Low
Amsterdam		—Closed—		
Brussels		—Closed—		
Frankfurt		—Closed—		
London (n)	44.75	452.60	477.40	356.60
London (o)	204.28	206.43	217.69	164.45
Milan	61.32	61.41	74.05	60.70
Paris		—Closed—		
Sydney	450.62	461.30	489.57	419.66
Tokyo (1)	378.22	375.59	394.14	364.70
Tokyo (2)	4,900.20	4,905.55	5,167.07	4,870.24
Zurich		—Closed—		

(n) New. (o) Old.

London Metals Market

May 30, 1977

	Today Bid-Asked	Previous Bid-Asked
Copper wire bars:		
spot	766 - 766.50	773 - 774
3 months	786 - 786.50	793 - 793.50
Cathodes: spot	756 - 757	762 - 763.50
3 months	776 - 777	783 - 783.50
Tin: spot	5,650 - 5,660	5,705 - 5,715
3 months	5,750 - 5,760	5,800 - 5,805
Lead: spot	257.50 - 258	261 - 262
3 months	260 - 260.50	262.50 - 263
Zinc: spot	329 - 329	331 - 332
3 months	337.50 - 338.50	346.50 - 347
Silver: spot	[illegible] - 267	268.20 - 268.30
3 months	272.50 - 272.80	272.70 - 272.90

Tokyo Exchange

May 30, 1977

	Price Yen		Price Yen
Asahi Glass	330	Matsu E. Wks.	634
Canon	591	Mitsubi Hvy. Ind.	128
Dai Nip. Print.	559	Mitsubi Corp.	477
Fuji Bank	275	Mitsui Co	259
Fuji Photo	789	Mitsukoshi	455
Hitachi	205	Nippon Elec.	263
Honda Motor	622	Sharp	369
C. Itoh	272	Shiseido	1,130
Japan Air L.	2,450	Sony Corp.	2,520
Kansai El. P.	890	Sumitomo Bk.	277
Kao Soap	700	Taisho Marine	225
Kirin Brewery	384	Takeda Chem.	235
Komatsu	328	Teijin	128
Kubota	330	Tokio Marine	470
Matsu Ind	614	Toray	122
		Toyota Motor	1,050

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Options Market Plans Stock Trade

By Leonard Sloane

NEW YORK, May 30 (NYT).—The Chicago Board Options Exchange has announced plans to begin trading stocks in addition to its present options trading program.

Its entry into the crowded field of exchanges across the country trading securities comes at a time when the proposed national market system appears stalled by bickering among the different market centers. Thus the Chicago exchange, like others, is moving to carve out as broad a trading base as possible to insure its position as an independent entity.

In a statement announcing that its board of directors had approved all rule changes and operational preparations for one-stop execution of related stock and option orders, the CBOE said that it "must be prepared to meet the competition in whatever forms it may take."

The directors particularly noted a proposal by the New York Stock Exchange to begin trading options and the decision by the National Association of Securities Dealers to start trading call options on over-the-counter stocks through its NASDAQ automated quotation system.

The CBOE plan—which has not set a target date for commencement and does not include the final cost figures—will be filed this week with the Securities and Exchange Commission for approval. The SEC has taken no action yet on the Big Board's proposed options market but has given approval in principle to the NASD program for trading stocks and options.

The Chicago exchange, which was the first exchange to trade options in 1973, plans for its initial securities trading to be in stocks whose options are already traded on its floor. Ninety-five options classes are traded, of which the underlying stocks for 93 are traded on the Big Board.

Since the CBOE pioneered exchange options trading and this technique became popular among many investors, four securities exchanges have also entered the options business. The American Stock Exchange, which is second to the Chicago exchange in options volume, started trading in 1975 and the Philadelphia, Pacific and Midwest stock exchanges have also entered this increasingly competitive fray.

It is the anticipated beginning of options trading on the Big Board, however, that seems to have prompted the CBOE's announcement. The New York exchange has emphasized its intention to have an options market in operation before the end of the year, even if such an action would postpone or eliminate the possibility of a merger with the Amex.

The CBOE pointed out that it would not proceed with its stock trading plans if the Big Board was turned down by the SEC on its bid for options trading.

European Gold Markets

May 30, 1977

	Open	Close	N.C.
London	144.60	143.90	—0.50
Zurich	CLOSED	—	—
Paris (12.5 kilo)	CLOSED	—	—

U.S. dollars per ounce.

London Commodities

May 30, 1977

	High	Low	(Bid-Asked) Close	(Close) Previous
SUGAR				
Aug	128.50	125	125.90-125.90	128.15-128.20
Oct	131.25	127.50	128.50-128.55	130.95-131.05
Dec	134	130.50	131.65-131.75	133.75-133.90
Mar	136.75	133.30	134.60-134.65	136.90-137
May	139.15	136.10	137.10-137.25	139.25-139.35
Aug	140	137.75	138 -138.30	140.50-140.60
Oct	139.50	139.25	139.50-140	142 -142.50
Lots: 2,421.				
COCOA				
May	3195	3153	3174½-3175	3170 -3179½
Jul	2530	2745	2826 -2830	2785 -2787
Sep	2525	2448	2522 -2523	2439 -2490
Dec	2325	2270	2326 -2330	2307 -2309
Mar	2240	2170	2233 -2234	2208 -2210
May	2190	2125	2180 -2190	2156 -2170
Jul	2130		2125 -2130	2090 -2100
Lots: 1,191.				
COFFEE				
May	No trade		3165 -3220	3240 -3260
Jul	3244	3180	3235 -3240	3275 -3280
Sep	3230	3151	3196 -3200	3225 -3230
Nov	3200	3142	3190 -3195	3190 -3199
Jan	3180	3125	3175 -3180	3175 -3185
Mar	3165	3120	3150 -3155	3145 -3160
May	No trade		3140 -3175	3158 -3170
Lots: 1,447.				

Belgian Price Index

BRUSSELS, May 30 (AP-DJ).—The Belgian wholesale price index stood at 190.8 (1953 equals 100) in April, unchanged from March but up 5.1 per cent from April, 1976, when it was 181.5, official figures showed.

Growth in Options Sought by Amex

NEW YORK, May 30 (Reuters).—The American Stock Exchange said Friday that its governing board has instructed the Amex administration to proceed promptly with a "series of programs designed to strengthen the exchange's competitive position in the markets for both equities and options."

The board said the New York Stock Exchange's plan to review the proposal for a merger with the Amex and to proceed with another options facility here showed that the NYSE "does not view consolidation as a priority matter and makes merger of the two exchanges much less likely."

But the Amex said it would continue to cooperate on efforts to consolidate the two exchanges.

U.S. Strike Activity

WASHINGTON, May 30 (Reuters).—Time lost due to U.S. work stoppages increased for the third consecutive month to 1.8 days idle per thousand worked in April, the Labor Department reported. The rate compared to 1.1 per thousand in March and equaled the level of April, 1976.

Conservative Versus Liberal Views

Carter, Congress Clash Seen Over Next Chairman of Fed

By Leonard Silk

NEW YORK, May 30 (NYT).—Who will be the next chairman of the Federal Reserve Board? The question once would have seemed important only to the more sophisticated members of the financial community. But a recent nationwide survey by U.S. News and World Report showed that Arthur Burns, chairman of the Fed, is considered the nation's second most powerful decision maker—second only to President Carter.

Mr. Burns's four-year term as chairman runs out next January, and House Speaker Thomas O'Neill jr., D-Mass., stirred up some short-lived excitment last week when he told a group of New York Times reporters and editors at breakfast that Mr. Carter had decided to reappoint Mr. Burns.

Although the White House promptly denied the President had expressed any such inclination, "one way or the other, to anyone"—and Rep. O'Neill did not try to refute the denial—it seems clear that the speaker was up to something.

That something was a warning by congressional Democratic leaders to Mr. Carter to think again, if he has any intention to reappoint Mr. Burns, a conservative Republican first named to the Fed chairmanship by President Richard Nixon in 1970.

The coming Fed chairmanship appointment is thus entangled in the evolving struggle between a relatively conservative president and a liberal Democratic Congress.

The administration's economists are uneasy about the Fed's upward pressure on interest rates and its determination to slow the growth of the money supply to a rate they believe will not permit adequate economic growth.

The liberal economists argue that, because of climbing energy, food and other raw material prices, as well as rates of wage settlements far in excess of productivity gains, the basic rate of inflation is running 6 per cent or more. In fact, the price indexes have recently been running 3 or 4 points higher than that.

In choking back monetary growth, to hit an annual target rate of 4 1/2 to 6 1/2 per cent, these critics contend, the Fed will not halt the built-in inflation but will only arrest the recovery and risk a credit and interest-rate crunch.

The Fed is hit from the opposite side by conservatives for permitting the money supply to grow too fast. The Fed is trying to adjust the growth of the money supply, in Mr. Burn's words, "gradually but persistently downward"—but "without deflecting the economy from its present path of recovery." After having alarmed the stock market by pushing the federal funds rate up a notch to 5 1/2 per cent, the Fed appeared to be backing off when it supplied enough reserves to put the funds rate back down to a range of 5 3/8 to 5 1/4 per cent last week.

It is on this central issue of monetary growth and interest-rate policy that Mr. Carter will doubtless base his final decision whether to ask Mr. Burns to continue to serve as Fed chairman.

Romania to Put $58 Million in U.S. Coalmine

PARIS, May 30 (Reuters).—Romania will invest $58 million in a Virginia coalmine of Island Creek Coal Co., a unit of Occidental Petroleum, Armand Hammer, Oxy president, said today.

Signing the agreement he said the Romanian investment will be to obtain high-grade coking coal.

Romanian sources said the country's steel industry relies heavily on imported coal and Romania wants to reduce its dependence on Soviet coal.

Romania will pay the first $58 million of the costs of the mine, which is already under construction, Mr. Hammer said.

In return it will obtain one-third of the mine's output and have an option to buy another third at market prices.

If the Romanians exercised the option and took two-thirds of the output, the value of the coal involved could reach $2 billion eventually. First deliveries will probably begin next year, Mr. Hammer added.

Company Reports

Revenue, Profits in Millions of Dollars

Esmark

Second Quarter	1977	1976
Revenue	1,330.0	1,370.0
Profits	19.5	25.3
Per Share	1.05	1.41
Six Months		
Revenue	2,580.0	2,740.0
Profits	34.4	46.1
Per Share	1.85	2.57

Jewel Cos.

First Quarter	1977	1976
Revenue	719.5	647.1
Profits	5.6	5.0
Per Share	0.49	0.44

U.S. Press Anti-Trus[t] Suit on A[T&T]

A Partial Break Of Company S[...]

By David Bin[...]

WASHINGTON, May [...]—The Justice Depart[ment an]nounced Saturday tha[t it will] proceed to press its case against American [...] & Telegraph as a r[esult of a] decision last Thursda[y by the] United States Court of [...]

The court ordered t[...] on court proceedings and also denied the [con]cern's petition for a [...] up proceedings from [...] court for review.

The decision upheld district court ruling [...] that the Justice [...] could move forward [...] trust action, despite t[...] contention that the [...] was invading the juri[...] the Federal Comm[...] Commission.

The Justice Depart[ment] begun three years ag[...] that AT&T and two [...]sidiaries, Western El[...] and Bell System La[...] were illegally monopo[...] nation's telecommunic[...]dustry.

AT&T had contende[...] suit raised issues virtu[...]tical to those in a fe[...] against the concern [...] two decades ago.

AT&T had asked th[e] Court to rule swiftly [...] courts had no jurisdict[...] Justice Department s[...]ing again that the is[...] matters for regulatio[...]thorities of state go[...] and the Federal Comm[...] Commission. The u[...] argued that regulation and federal authorities immune to anti-trust c[...]

The Supreme Court [...] Jan. 26 to schedule a q[...]sion, forcing AT&T to [...]tinuing hearings in [...] courts.

AT&T, which owns [...]trols 23 companies comp[...] Bell Telephone System [...] as Western Electric Co. [...]tended that the route [...] the courts, facing Justic[e Depart]ment charges, could [...] than $1 billion and ta[...] as 10 years.

The suit calls on the [...] to divest itself of West[ern Elec]tric Co. and to relinqu[ish] a number of the 23 reg[ional tele]phone companies or th[...] its long distance teleph[one busi]ness.

American Express Company

Shares of American Express Company are now traded on the New York Stock Exchange under the symbol AXP. Quotations appear in NYSE-Composite Transaction tables in newspapers under the designation AmExp.

AMERICAN EXPRESS

American Express Company, American Express Plaza, New York, New York 10004

This announcement appears as a matter of record only.

May 1977

Banco Nacional de Obras y Servicios Publicos, S.A.

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The Chase Manhattan Bank, N.A.
Chemical Bank
Dresdner Bank AG London Branch
International Commercial Bank Limited
Libra Bank Limited
Lloyds Bank International Limited
National Westminster Bank Group
Orion Bank Limited
Pierson, Heldring and Pierson (Curaçao) N.V.
Pittsburgh National Bank
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INTERNATIONAL
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FINANCE

PARIS, TUESDAY, MAY 31, 1977

Japan Shipbuilders y Their Profits Soar

, May 30 (AP-DJ).— ma-Harima Heavy In- o. and Hitachi Ship- Engineering Co. today igher net profits in the d March 31, as Mitsui ng & Engineering Co. th largest shipbuilder showed a 33.8 per cent net.

jima-Harima Heavy (IHI) net profit rose nt to 11.724 billion yen ion) from 9.495 billion sales rose 11.4 per cent million yen from 624,- yen in the prior year.

sales rose to 45 per tal sales from 37 per ar earlier, but orders hips and the backlog ell.

ose to 365.2 billion yen, rent of sales from 42 the prior year, while s rose to 268.890 billion per cent of exports, billion yen, or 73 per ir earlier.

hipbuilding net profit r cent to 5.234 billion 887 billion yen. Sales per cent to 332.423 from 329.273 billion

ccounted for 56.9 per s at 189.3 billion yen, 2.5 billion yen a year uilding sales rose to yen, up from 197 bil- exports of ships came lion yen, or 73.8 per e total, versus 140.9 a year earlier.

ipbuilding & Engi- fered a 33.8-per-cent March 31 year net .01 billion yen from n yen a year earlier.

the year fell 2.4 per .51 billion yen versus on yen.

it Mitsui said the net e in the year was due rdinary rise in fiscal the company return- llion yen in reserves while drawing down billion yen this year.

because of a delay llion-yen petrochemi- ler from Mitsui Petro- , they said.

s rose 18 per cent to 172.4 billion yen, but plant exports tumbled 71 per cent to 12.887 billion yen.

Meanwhile Mitsubishi Corp., Japan's largest trading house, said its March 31 year net profit rose to 17.9 billion yen from 14.5 billion yen a year earlier.

Sales in the year rose to 9,609 trillion yen from 9.141 trillion yen. Mitsubishi forecast its net profit for the year ending next March 31 at 20 billion yen on sales of 10 trillion yen.

Marubeni Corp., another trading house, registered a profit of 8.15 billion yen in the March 31 year, down from 8.91 billion yen the previous year.

Sales rose to 6.44 billion yen from 5.76 trillion yen. The company is expecting sales in the current year to rise 6.5 per cent, though net income is likely to remain the same.

In another report, Bank of Tokyo said its net earnings in the year totaled 9.96 billion yen, up from 9.53 billion yen.

BMW Sales, Profit Soar

MUNICH, May 30 (AP-DJ).— Total sales of the Bayerische Motoren Werke (BMW) world group rose 33 per cent in 1976 to 4.76 billion deutsche marks from 3.58 billion DM in 1975, while net profit soared 70 per cent to 126 million DM from 74 million DM, Eberhard von Kuenheim, management board spokesman, told a press conference here today.

Overseas orders accounted for the company's strong sales growth in 1976, Mr. Von Kuenheim said. This compensated for a mere 1-per-cent rise in domestic registrations of BMWs, which brought the firm's market share down marginally to 5.7 per cent from 6.2 per cent in 1975.

Sales of the domestic concern were up 36 per cent to 4.5 billion DM from 3.31 billion DM in 1975, and parent company sales climbed 32 per cent to 4.3 billion DM compared with 3.26 billion DM in the previous year.

Mr. Von Kuenheim said he expects the pace of sales growth to slow considerably in the current year, however. "After two years of sharp expansion, a slightly slower tempo is perfectly acceptable," he said, adding that BMW would continue to "strongly emphasize" foreign sales in 1977.

FINANCIAL NEWS AND NOTES

Olivetti Sales Rose

Olivetti parent company sales rose 29.6 per cent in the first four months of this year and group sales rose 27.4 per cent, says chairman Bruno Visentini. Although he gave no other figures, a company spokesman noted sales in the second half of the year are traditionally the most significant indicator for company profits. Mr. Visentini told a shareholders' meeting that the company may find it necessary to raise its capital from the present 60 billion lire (about $68 million) in the future to assist development, but acknowledged this would be difficult in the present state of the market. He said group debt rose 209 billion lire in 1976 to 791 billion, mainly due to the increase in the lira value of dollar debt. Average interest charges rose to 13 per cent from 12.3 per cent, giving a total cost on interest payments of 107 billion lire. Total debt was 35.4 per cent in lire borrowings, 33.5 per cent in dollars, 18.2 per cent in European currencies, 8 per cent in Latin American currencies and 4.9 per cent in other currencies.

Pizza Hut, PepsiCo Discuss Merger

Pizza Hut Inc., the largest U.S. pizza restaurant chain, and PepsiCo have begun merger talks that may lead to Pizza Hut's acquisition by PepsiCo through an exchange of stock. The companies emphasize that an agreement in principle has not been reached, and there was no assurance that an agreement would be reached. For the year ended March 31, Pizza Hut's net income rose about 33 per cent to $21.8 million, or $2.67 a share, on sales of $309.1 million, from $15.3 million, or $2.10 a share, on sales of $244.8 million a year earlier. A purchase by PepsiCo would be the latest purchase of a prosperous fast food chain by a giant food company. Pillsbury, for example, owns Steak & Ale Restaurants of America and Burger King Corp. Heublein owns Kentucky Fried Chicken. General Foods owns Burger Chef Systems. Other large companies have said they are interested in a fast-food chain as an investment.

Chrysler Has no Need for U.K. Aid

Chrysler (U.K.) Ltd. has no need to seek further funds from the U.K. government to back its business despite shortfalls in first-quarter sales and production. A company spokesman says Chrysler still expects to be operating profitably by the fourth quarter against the previously reported first-quarter loss of £8.2 million. Chrysler says the loss resulted from sales in the first three months being 35 per cent below target, mainly because of shortages of new cars from its Linwood plant in Scotland. The first-quarter losses have put the company back three or four months from its intention, stated in the planning agreement drawn up with the U.K. government, to achieve a profit of £300,000 for the full year.

Prior to Merger With C. Itoh

Ataka Has Biggest Loss in Japan History

TOKYO, May 30 (AP-DJ).— Ataka & Co., in its last annual statement before merging with C. Itoh & Co. this autumn, has reported the largest net loss in Japanese corporate history.

In the year ended March 31, the trading house posted a net loss of 132.991 billion yen ($480 million) versus a net loss of 5.91 billion yen the previous year. Revenues for the year fell to 1.49 trillion yen from 1.999 trillion yen.

C. Itoh & Co. and Ataka are scheduled to sign a formal agreement for amalgamation by the end of this month.

Today C. Itoh and another major trading house posted a 5.4-billion-yen net profit in the year ended March 31, following a net loss of 5.8 billion yen the prior year.

Sales rose to 6.333 trillion yen from 5.631 trillion yen.

Under the close supervision of its major bank, Sumitomo Bank Ltd., Ataka has hived off, or will do so, many of its major divisions, including textiles, paper-pulp and lumber, and has sold off much of its assets to help cover an originally estimated 1 trillion yen in liabilities to banks and customers.

Sumitomo Bank alone will write off in the September half year accounting period about 100 billion yen in Ataka's bad debts. Kyowa Bank Ltd. will absorb another 50 billion yen of the estimated 190 to 230 billion yen in losses distributed among a group of 16 Japanese banks.

Bank of Tokyo Ltd. in the early 1960s held the previous record write off—only about one-fourth the size of Sumitomo's—for Kanematsu-Gosho Ltd. (Kanematsu, another major trading house, is receiving some credit relief again from its banks, but officials at Bank of Tokyo said the situation is not very serious.)

"There isn't any problem at Sumitomo Bank," Ryonosuke Ibe, the president, said. "We have about 300 billion yen in assets at our disposal, and still are the soundest bank in Japan," he said.

Japanese bankers are also resolved to keep any of the approximately 36 foreign banks holding Ataka credits from taking losses. "Japan, Inc. will work, this time," a banker said.

Although the Ministry of Finance does not directly intervene in such cases, the government is satisfied that the problem will not lead to serious banking consequences. "Banks don't go bankrupt in Japan," an official commented.

Sumitomo Bank officials admit they will not be able to carry out the massive preparations for merger of Ataka with C. Itoh unless the government thinks the arrangement is sound.

Ataka's financial problems date back to the spring of 1974, when the Tokyo head office first began to suspect its U.S. subsidiary, Ataka (America), was in trouble with claims against Newfoundland Refinery Co., a unit of Shaheen Natural Resources Co. of New York.

According to reliable sources, Ataka & Co. decided that spring at a board of directors' meeting to hide its difficulties from the major banks. It was not until Sep. 26, 1975, that Ataka informed Sumitomo Bank of its problem. The debts in the United States were disclosed publicly later that year.

"I don't think the Ataka board itself was aware of how bad the problem was at first," Sumitomo's Mr. Ibe commented.

Sumitomo Bank and Kyowa Bank have said they will maintain their 10-percent annual dividends despite the write-offs. Sumitomo is selling off equities it holds in other companies to cover part of the loss, and expects to earn about 40 billion yen in operating profits in the Sept. 31 half year versus 32.9 billion a year earlier.

Kyowa Bank said its board of directors will give up semiannual bonuses as part of its efforts to cover the loss.

Sumitomo's powerful chairman of the board for more than a decade, Shozo Hotta, reportedly will resign in June to take responsibility for the Ataka problem. President Ibe is expected to succeed him.

Ataka said its huge loss was based on a 31.2-billion-yen operating loss and special losses of 101.916 billion yen written off in preparation for the merger.

The special losses included 93.8 billion yen for liquidation of Ataka's affiliates and 13.3 billion yen for curtailment of unprofitable divisions.

The company's accumulated deficit carried over from prior years totaled 138.854 billion yen, nearly 12 times its capital of 11.693 billion yen.

Ataka president Ko Komatsu said that since almost all accumulated losses have been written off, the September half year should see losses held to the 7-billion-yen or 8-billion-yen level.

Markets Closed

All securities exchanges and banks were closed in the United States, France, West Germany, Belgium, Switzerland and the Netherlands on Monday May 30. U.S. markets were observing the Memorial Day holiday and in Europe Whit Monday.

'Put' Options Trade Starts Friday

By Vartanig G. Vartan

NEW YORK, May 30 (NYT).— A new game is coming to the market on Friday, and for stock traders and investors the age old battle of wits for profit promises to be never quite the same again.

Trading will begin in "put" options for 25 big-name stocks on five exchanges across the country.

As the mirror image of a call option, the put option gives its owner the right to sell 100 shares of an underlying stock at a specified price, known as the exercise or striking price, any time before the option expires.

Although put options will eventually permit many types of strategies, much of their initial appeal will center on speculative opportunities to make money in a plunging market.

"Essentially, puts offer a way of shorting the market, but that's a tough concept for the average investor, who typically thinks in terms of bigger and better as the American way," explained Berton Godnick, head of options trading at Ernst & Co. "But puts are a cheap way—and a limited-risk way—of shorting stocks."

In a short sale, a person sells borrowed stock in the hope of buying it back later—a process known as "covering"—at a lower price and thus realizing a profit on the difference between the sale and purchase prices. Conceptually, the idea of selling something they do not own is hard for many investors to grasp. In the case of put options, however, the buyer owns an actual contract.

Not that put options are free of risk. Far from it. They are not for widows and orphans, or probably for most other investors. Puts require study, steely nerves and constant vigilance by their owners. Commission costs are hefty—the broker is the only sure winner—and tax considerations are important. Furthermore, if a put expires worthless, the owner loses his entire stake.

But for the far-sighted and fortunate, put options can turn into a good speculation. Consider this example provided by the Chicago Board Options Exchange:

"Assume that on July 1 the common stock of manufacturing company MFG is selling at $50 a share. An investor expecting a decline in the stock price decides to purchase an MFG-Jan. 50 put option for $5 a share—in all $500 for a 100-share put. Assume that by Nov. 1 the price of the stock has declined to $42 a share. The right to sell the stock at $50 has become more valuable, and the put is bid to, say, $8 a share. The 100-share put bought at $500 can thus be sold for $900—resulting in a $400 gain, less commissions."

In the above example, Jan refers to January, when the option expires, and 50 is the striking price.

The $400 gain on a $500 investment represents an 80-percent rate of return (less commissions, of course), and it illustrates the leverage a trader can achieve by purchasing puts.

If that same investor had decided instead to sell short 100 shares of MFG at $50 a share, it would require a margin deposit of 50 per cent, or $2,500. Thus, the $800 gain realized when the short sale was covered at $42 would have represented only a 32-per-cent return on investment.

No matter how sharply the price of MFG might rise, which would reduce the value of the put option, the buyer cannot lose more than the $500 paid for the put—in contrast to the unlimited risk inherent in selling short. Moreover, the put buyer does not expose himself to the possibility of margin calls or liability for payment of dividends, as does the short seller.

The 25 stocks involved and the exchanges on which their put options may be traded are:

CBOE: Avon Products, Eastman Kodak, General Motors, Honeywell and IBM.

Amex: Aetna Life & Casualty, ASA Ltd., Mesa Petroleum, Reserve Oil & Gas and Westinghouse Electric

Midwest: Corning Glass Works, Northwest Industries, Revlon, Hughes Tool and Carrier Corp.

Philadelphia: Allis-Chalmers, Amerada Hess, Continental Oil, Inexco Oil and Pittston.

Pacific: American Broadcasting Cos., Heublein, Levi Strauss, Santa Fe International and Schering-Plough.

Tokyo to Let Aliens Raise Larger Loans

TOKYO, May 30 (Reuters).— The Finance Ministry said today it will allow foreign borrowers to raise larger loans in the capital market here following an improvement in the nation's balance of payments.

Ministry officials said Banque Française du Commerce Exterieur will be allowed to float a 20-billion-yen (about $72 million) bond next month—if the French Bank wants a loan of that size.

Previously the ministry restricted bonds by foreign issuers to between 10 billion and 12 billion yen, except for international financial institutions, which were allowed larger issues, they said.

U.S. Tool Orders Fall 4.8 Per Cent

WASHINGTON, May 30 (Reuters).—U.S. machine tool orders fell 4.8 per cent in April to $250.2 million from $262.75 million in March, the National Machine Tool Builders' Association reported over the weekend.

However, orders in April were 68.4 per cent above the level in April last year.

Domestic orders fell 1 per cent to $237.6 million in April from March and foreign orders fell 44.7 per cent to $12.6 million.

Shipments fell 4.6 per cent in April to $174.7 million. The industry backlog now stands at $1.68 billion, an increase of 5 per cent over March.

Bulgaria Seeks Euroloan

LONDON, May 30 (Reuters).— The Foreign Trade Bank of Bulgaria is raising a $100-million, six year Euromarket credit with an interest margin of 1 1/4 per cent over London interbank offered rates, informed sources reported.

Abu Dhabi Restricts Contract Commissions

NICOSIA, May 30 (AP-DJ).— The booming sheikdom of Abu Dhabi has restricted commissions on government contracts with foreign firms to a maximum of 2 per cent, the Middle East Economic Survey reported today.

The commission, according to a new law, goes down to 1.5 per cent on contracts valued at between $2.5 million and $12 million and to 1 per cent on contracts worth more than $12 million, MEES said.

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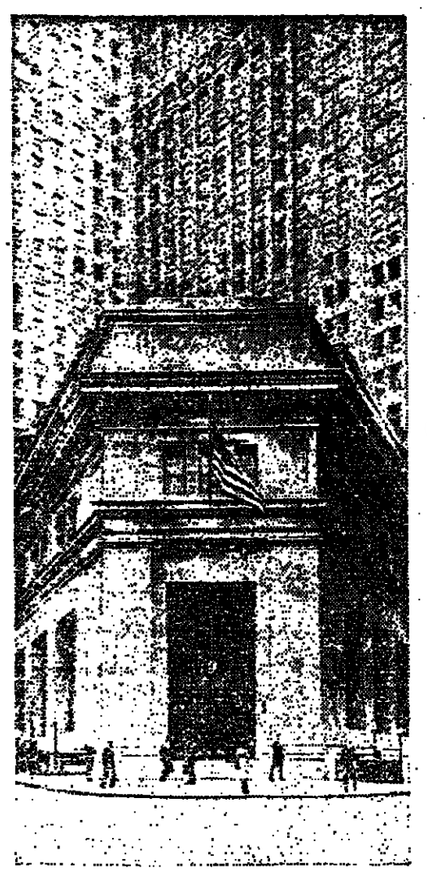

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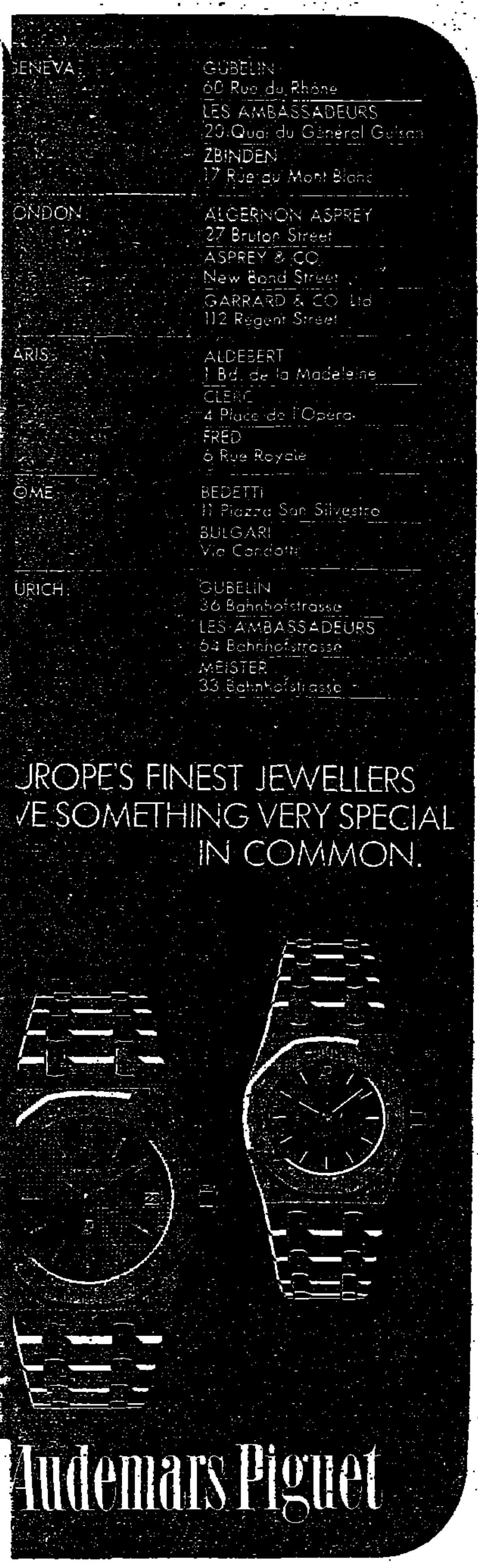

European Markets

(Yesterday's closing prices in local currencies)

London

Anglo-Am cp	2.45
Anglo-Am	27.00
Barclay Bk	2.48
Beecham Gr	4.92
BICC	1.10
Boots	1.69
Bowater	1.88
Brit-Am Tob	2.82
Brit-Oxyg	0.87½
Brit Pet	9.18
Burmah	0.76
CadburySc	0.43
Chartered	1.33
Courtaulds	1.28
DeBeer D	2.63
Decca Rec	3.43
Distillers	1.48
Dunlop	1.05
E Mus Ind	2.19
GEC	1.86
FreeStGed $	11.50
GKN	3.36
Glaxo Gr	5.05
Gold Fields	1.45
Gt Un St	2.22
Guinness	1.42
Hawker-Sidd	6.08
Hudson Bay	11¾
Imp Chem	3.92
Imps	0.74
Mark&Spen	1.16
Metal Box	3.12
Nichols	0.66
Plessey	0.80
Rand Mines	1.63
Rank Org	1.92
Royal Dutch	48.00
R.T.Z.	2.24
Shell	5.31
Thorn (A)	2.92
Tube Invest	4.24
Union Carb	2.02
Vickers	1.74
War L3½	28.75
West Deep $	7.70
West Driel $	20.25
West Hold $	14.75
West Min	1.55
Woolworth	0.58
ZCI	0.16½

Milan

Bastogi	545
ERBA	1,050
ErcMarelli	240
Fiat	1,690
Finsider	98
Generali	61,000
IFI	1,750
Italgas	519
Italsider	158
LaRinas	44.75
Montedis	250
Olivetti	930
Pirelli	948
Snia Visco	825

Toronto Stocks

Closing Prices, May 30, 1977

Quotations in Canadian funds. Quotations in cents unless marked $

	High	Low	Last	Ch'ge
4254 Abitibi	$9⅝	9⅝	9½	− ⅛
402 Acklands	$11½	11½	11½	
300 Agnico E	$5⅝	5⅝	5⅝	
100 Agra Ind A	$5⅛	5⅛	5⅛	− ½
3245 Alta Gas A	$14½	14¼	14½	+ ⅛
5 Algo Cent	$12⅝	12⅝	12⅝	− ⅛
9650 Alminex	$9	8⅞	8⅞	− ⅛
100 Andres W	$8	8	8	
100 Argus C pr	$11⅛	11⅛	11⅛	
14350 Atco A	$17⅛	17⅛	17⅛	− ⅛
20765 Bell Canad	$50⅝	50⅜	50½	− ¼
2600 BP Can	$12½	12⅜	12⅜	
100 Banister C	$11⅛	11⅛	11⅛	+ ¼
2532 Bank N S	$18⅝	18⅜	18⅝	+ ⅛
700 Beth Cop A	$12⅝	12½	12½	− ⅜
5900 Block Bros	$6½	6½	6½	
300 Bralor Rsa	350	350	350	−10
1350 Bramalea	$6⅛	6⅛	6⅛	
1500 Brameda	120	120	120	
420 Brenda M	$9⅛	9⅛	9⅛	− ⅛
7850 Bridger	$8⅞	8⅞	8⅞	− ⅛
350 BCFP	$23¼	23	23¼	+ ¼
3465 BC Phone	$13⅝	13⅜	13⅜	
1893 Brunswk	485	475	480	− 5
1865 Budd Auto	$7⅝	7½	7½	+ ⅛
800 Burns Fds	$9¼	9¼	9¼	
235 Cad Frv	$9¾	9½	9¾	+ ⅛
2400 Cal Pow A	$32¾	32¾	32¾	+ ¼
3150 Camflo	$11	11	11	
480 Campau A	385	385	385	− 5
2100 C Nor West	$6½	6⅜	6⅜	+ ⅛
1450 C Pakrs C	$17	17	17	
325 Can Perm	$17¾	17⅝	17¾	+ ½
200 Can Trust A	$22¾	22¾	22¾	+ ⅛
2050 C Tung	$8⅞	8⅞	8⅞	
425 C Cablesy	$11½	11¼	11¼	− ¼
300 Cdn Cel	$7⅝	7½	7½	
9534 CI Bk Com	$22½	22⅛	22½	+ ⅛
1624 Cdn Tire A	$35¾	35½	35½	+ ⅛
125 C Ultles	$12½	12½	12½	
500 Conbra	330	330	330	+ 5
9575 Cassiar	$9	9	9	
560 Celanese	335	325	335	+10
246 Chieftan D	$11⅛	11⅛	11⅛	
100 C Holiday	365	365	365	
5100 Con Bldg	283	280	280	− 1
2835 Con Distrb	295	280	295	+ 5
3193 Cons Gas	$15⅝	15⅜	15⅝	+ ⅛
4300 Con Fardy	295	290	295	
100 Conwest	415	415	415	+20
1000 Craigmt	$5⅝	5½	5⅝	
550 Cyprus	$9⅝	9⅝	9⅝	− ¼
205 Denison	$51	51	51	− ¼
1150 Dicknsn	410	395	410	+25
212 Dofasco A	$23½	23½	23½	+ ½
75 Dom Store	$14⅝	14⅝	14⅝	− ⅛
605 Du Pont	$12⅞	12⅞	12⅞	− ⅛
1200 Dylex L A	$7	7	7	
36300 Electro A	200	200	200	
245 Emco	$5	5	5	
1366 Falcon C	$51½	51⅛	51⅛	− ¼
225 Fibrg Nik A	$32¾	32½	32½	− ⅛
400 Fed Ind A	$5⅝	5⅝	5⅝	− ⅛
100 Ford Cnda	$93	93	93	− ½
3100 Francana	$7¼	7¼	7¼	+ ⅛
1050 Gibraltar	$5¾	5⅝	5¾	
700 Granduc	100	100	100	
300 GL Paper	$25	25¾	25⅞	− ⅛
103 Greyhnd	$16⅞	16⅞	16⅞	− ⅜
600 Guar Trst	$8¼	8¼	8¼	
1000 Hambro C	380	380	380	+ 5
500 Hard Crp A	380	375	375	−15
1010 Hawker A	$5¼	5¼	5¼	+ ⅛
1536 Hayes. D A	$5⅝	5⅛	5⅛	− ⅜
1625 H Bay Co	$14⅜	14¼	14¼	− ⅛
7676 IAC	$16	15⅞	16	+
1500 Indal	$8⅛	8½	8⅛	
2816 Inland Gas	$10½	10¼	10½	+ ⅛
2650 Inter-City	$6½	6⅜	6½	
241 Int Mogul	250	250	250	
11070 Int Pipe A	$14⅝	14½	14⅝	+ ⅛
1340 Inv Grp A	$6⅝	6½	6⅝	+ ⅛
600 Ivaco A	$6⅝	6⅛	6¼	+ ⅛
1035 Jannock	$8⅞	8¾	8⅞	+ ⅛
550 Kaiser Re	$14	14	14	+ ⅛
3300 Kaps Tran	70	70	70	
380 Kelsey H	$13¾	13¾	13¾	+ ¼
1035 Kerr A A	$15	14⅞	14⅞	
1600 Koffler A	495	475	495	
515 Labatt A	$17¾	17¾	17¾	
55 Lab Min	$33	33	33	
8260 Lacana	440	420	440	+10
100 LOnt Cem	335	335	335	+ 5
100 LL Lac	152	152	152	− 3
200 Lob Co A	335	325	325	
100 Lob Co B	335	335	335	+ 5
2400 Loeb M	440	440	440	
300 Mclan H A	$7⅞	7⅞	7⅞	− ½
1925 M.B Ltd	$20	20	20	
75M Lf Mills	$35	35	35	+ ¼
510 Malgml A	$13	12⅞	13	− ⅛
900 Met Stor A	$11¼	11⅛	11⅛	
965 Moore	$31¾	31½	31⅝	
700 Nat Trust	$15⅝	15⅝	15⅝	− ⅛
600 Neonex	206	205	205	
2065 Noranda A	$27⅝	27	27¼	− ¼
4985 Norcen	$11⅛	11⅛	11⅛	
925 NTecm B w	$12	12	12	
8200 Oshawa A	435	430	435	
200 Pamour A	340	340	340	
850 PanCan P	$26½	26½	26½	+ ⅛
100 Pembina	405	405	405	
2450 Pop Shops	$5¾	5¾	5¾	
1106 Pine Point	$33⅝	33⅜	33⅜	− ⅛
182 Placer	$18⅞	18⅞	18⅞	
1750 Redpath A	$14⅝	14½	14⅝	+ ½
2074 Shell Can	$13⅝	13⅝	13⅝	− ⅛
2300 Sherritt A	$5⅛	5	5	− ⅛
12000 Siebens	$13⅝	13½	13⅝	− ⅛
400 Sigma	$20	20	20	
2125 Simpsons	$5	495	5	+ 5
1060 Simpson S	$7	7	7	
900 Slater Stl	$7⅝	7⅝	7⅝	
170 Southm A	$19	19	19	+ ¼
100 St Brodcst	$8¼	8¼	8¼	
1700 Stelco A	$24⅝	24¾	24¾	
120 Setep R	204	204	204	+ 4
1000 Teck Cor A	$7	7	7	
500 Teck Cor B	$5	5⅛	5⅛	− ⅛
300 Teledyne	$5½	5½	5½	+ ⅛
705 Tex Can	$27⅞	27¾	27⅞	+ ⅛
300 Thom N A	$11⅞	11¾	11⅞	+ ⅛
4221 Tor Dm Bk	$16¾	16½	16¾	+ ⅛
265 Torstar B	$13⅞	13⅞	13⅞	− ⅛
2821 Traders A	$16⅛	16	16⅛	+ ⅛
1995 Trns Mt A	$10½	10⅜	10½	+ ⅛
9733 TrCan PL	$14⅝	14½	14½	
10 Un Carbid	$16⅝	16⅝	16⅝	− ⅜
980 UGas A	$9⅝	9¼	9⅝	+ ⅛
1200 Union Oil	$9	9	9	
400 U Siscoe	$5⅝	5⅞	5⅞	− ⅛
700 Upp Can	125	124	125	
1650 Vestgron	$12½	12⅜	12½	
400 Voyager P	$7⅝	7⅝	7⅝	
150 Weldwod	$12¼	12¼	12¼	− ⅛
400 Westburne	$9⅝	9½	9½	
1750 West Mine	410	410	410	
1300 Weston	$12	11¾	12	
1200 Woodwd A	$15⅝	15⅛	15⅝	

Total sales 964,844 shares

Montreal Stocks

Quotations in Canadian funds. Quotations in cents unless marked $

	High	Low	Last	Ch'ge
761 Bnk Mont	$14½	14¼	14½	
100 CAE Ind	$9	9	9	− ⅛
50 CanSo Ry	$39½	39½	39½	− ½
200 CdnInt Pw	$20¾	20¾	20¾	
9215 Dom Bridg	$21½	21½	21½	−
333 Dom Text	$7⅝	7⅝	7⅝	
6300 Fncl Col	160	160	160	+5
100 Laur Fin	$7	7	7	
432 Molson A	$16⅝	16⅝	16⅝	− ⅜
532 Molson B	$14½	14½	14½	− ¼
500 Power Co	$7⅞	7¾	7⅞	+ ⅛
216 Price Co.	$9	9	9	+ ¼
309 Rolland A	335	335	335	
1242 Royal Bnk	$22¾	22⅝	22¾	
1797 RoyTrst A	$15	15	15	− ¼
900 Zellers	460	455	460	+5

Total sales 143,225 shares.

Currency Rates

May 30, 1977

By reading across this table of yesterday's closing inter-bank foreign exchange rates, one can find the value of the major currencies in the national currencies of each of the following financial centers. These rates do not take into account bank service charges.

	$	£	DM	FF	L. It.	Gldr.	BF com.	SwissF.	Dan.Kr.
Amsterdam									
Brussels (c)				— CLOSED —					
Frankfurt									
London (x)	1.71735	—	4.0420	8.4270	1520.85	4.2230	61.81	4.2955	10.3250
Milan	885.65	1520.90	378.06	179.20	—	360.30	24.80	353.89	147.54
Paris				— CLOSED —					
Zurich									

The following are dollar values only on the London foreign exchange market: Danish krone: 6.01725; Escudo: 38.826; Israeli £: 9.60; Peseta: 69.115; Schilling: 16.755; Sw. krona: 4.3650; Yen: 277.25; Norw. krone: 5.25375; Fin. mark: 4.0780; Hong Kong $4.6880; Singapore $: 2.46455; Canadian $: 0.95225.

(c) Commercial franc. (*) Units of 100. (x) Units of 1,000. (y) Units of 10,000 (m) Amounts needed to buy one pound.

This announcement appears as a matter of record only.

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ARGENTINA

US $100,000,000 MEDIUM TERM LOAN

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London Multinational Bank Limited
Amex Bank Limited
Bank of Montreal
Banque Européenne pour l'Amérique Latine (B.E.A.L.) S.A.
Chemical Bank
Euro-Latinamerican Bank Limited —EULABANK—
Grindlay Brandts Limited
Manufacturers Hanover Limited
Merrill Lynch International Bank Limited
Trade Development Bank/Republic National Bank of New York

and provided by

American Express International Banking Corporation — Amex Bank Limited
Amsterdam-Rotterdam Bank N.V. — Banco Arabe Español S.A. — Bank of Montreal
Banque Européenne de Tokyo S.A. — Banque Européenne pour l'Amérique Latine (B.E.A.L.) S.A.
Banque Française du Commerce Extérieur (B.F.C.E.) — Barclays Bank International Limited
Baring Brothers & Co., Limited — Brown, Shipley & Co. Limited — Chemical Bank
Deutsch-Südamerikanische Bank AG. — Dresdner Bank Aktiengesellschaft London Branch — Euro-Latinamerican Bank Limited —EULABANK—
European Brazilian Bank Limited – EUROBRAZ — Girard Trust Bank — Grindlays Bank Limited
London Multinational Bank Limited — Manufacturers Hanover Trust Company
Merrill Lynch International Bank Limited — Midland Bank Limited — National Bank of North America Nassau, Bahamas
Republic National Bank of New York — Société Générale de Banque S.A.
The National Bank of Washington DC Nassau Branch — The Northern Trust Company — Trade Development Bank Overseas Inc.

Agent Bank

LONDON MULTINATIONAL BANK LIMITED

5 MAY 1977

All of these Securities have been sold. This announcement appears as a matter of record only.

$100,000,000

Tenneco International N.V.

7¾% Guaranteed Debentures Due May 15, 1987

Payment of principal, premium, if any, and interest unconditionally guaranteed by

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COMMERZBANK Aktiengesellschaft — SWISS BANK CORPORATION (OVERSEAS) Limited
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BANQUE DE PARIS ET DES PAYS-BAS (SUISSE) S.A. — BANQUE POPULAIRE SUISSE S.A. LUXEMBOURG
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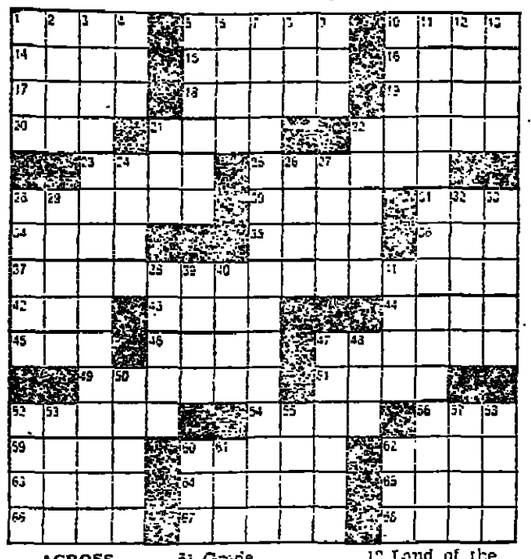
May 25, 1977.

CROSSWORD — By Eugene T. Maleska



ACROSS

1 Balls of cotton
5 Rodeo performer
10 Letters
14 Emanation of a sort
15 Peace goddess
16 City in Spain
17 Shirt button
18 Cut away
19 Asian poet
20 Farm animal
21 Play the pataclete
22 Edge or verge
23 Begin
25 Pastry piece
28 Proprietors
30 Work hard
31 Cairo cobra
34 Quote
35 Receptacles
36 Beachhead boat
37 Two Buckeye burgs
42 Strasberg of theater
43 Hockey score
44 Tip-off
45 Inlet
46 Jack-in-the-pulpit
47 Suspenders
49 With elbows bent
51 Grade
52 "Debutantalizer"
54 Coal-mine car
56 Make a choice
59 Thrust
60 Descendant or shoot
62 Maintain
63 Author Wister
64 With head held high
65 "Le —— Geniet," by Balzac
66 London art gallery
67 Lone Ranger's pal
68 Factual

DOWN

1 Cleanse
2 "Indy 500" entry
3 Overly abundant article
4 Disconsolate
5 Comes to maturity
6 Viva-voce
7 Asset of an ideal machine
8 Compass point
9 Rubescent
10 N.Z. native
11 Hyman from Poland
12 Land of the Peacock Throne
13 Frolic
21 "Rings on —— fingers"
22 Raft wood
24 Do a K.P. job
26 Farm crop
27 Swedish singer
28 Florida city
29 More judicious
32 Teacake
33 Eight make a gallon
38 One more time
39 Standard
40 Paint poorly
41 Asian title of respect
47 Oscar winner: 1954
48 Fordham mascot
50 N.H. city
52 Kind of check
53 Where Gov. Ray holds sway
55 Put to flight
57 Pizarro's conquest
58 Dryads' home
60 What 16 Across is: Abbr.
61 —— -Magnon race
62 Quick-witted

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WEATHER

	C	F			C	F	
ALGARVE	16	61	Clear	MADRID	12	35	Showers
AMSTERDAM	12	54	Cloudy	MIAMI	28	82	Clear
ANKARA	21	70	Cloudy	MILAN	23	73	Cloudy
ATHENS	24	75	Clear	MONTREAL	15	64	Clear
BEIRUT	24	75	Clear	MOSCOW	14	57	Variable
BELGRADE	23	73	Clear	MUNICH	21	70	Clear
BERLIN	12	54	Cloudy	NEW YORK	17	63	Fair
BRUSSELS	12	54	Cloudy	NICE	20	68	Clear
BUCHAREST	19	66	Cloudy	OSLO	10	50	Cloudy
BUDAPEST	25	77	Showers	PARIS	16	61	Clear
CASABLANCA	20	68	Clear	PRAGUE	14	57	Storms
COPENHAGEN	11	52	Showers	ROME	25	73	Clear
COSTA DEL SOL	20	68	Clear	SOFIA	—	—	Unavailable
DUBLIN	12	54	Cloudy	STOCKHOLM	5	41	Showers
EDINBURGH	11	52	Cloudy	TEHRAN	27	81	Fair
FLORENCE	25	75	Clear	TEL AVIV	28	68	Clear
FRANKFURT	15	59	Cloudy	TUNIS	28	79	Clear
GENEVA	21	70	Showers	VIENNA	23	73	Clear
HELSINKI	8	46	Cloudy	WARSAW	—	—	Unavailable
ISTANBUL	20	68	Clear	WASHINGTON	18	64	Cloudy
LAS PALMAS	21	70	Clear	ZURICH	22	72	Clear
LISBON	17	63	Clear				
LONDON	12	54	Fair				
LOS ANGELES	15	59	Cloudy				

(Yesterday's readings: U.S., Canada at 1700 GMT, others at 1200 GMT.)

INTERNATIONAL FUNDS

ADVERTISEMENT

May 30, 1977

The net asset value quotations shown below are supplied by the Funds listed with the exception of some Swiss funds whose quotes are based on issue prices. Following marginal symbols indicate frequency of quotations supplied for the IHT. (d)—daily; (w)—weekly; (m)—monthly; (r)—regularly; (i)—irregularly.

BANK JULIUS BAER & Co. Ltd.:
— (d) Baerbond ... SF359.15
— (d) Combar ... SF400
— (d) Grobar ... SF883
— (d) Stockbar ... SF561

BANQUE VON ERNST & CIE.:
— CSP Fund ... SF23.20
— Crossbow Fund ... SF1.19
— ITF Fund N.V. ... $7.73

CAPITAL INTERNATIONAL S.A.:
— (e) Capital Int'l ... $15.25
— (w) Capital Italia S.A. ... $1.67

CREDIT SUISSE:
(d) Actions Suisses ... SF260.50
— (d) Canasec ... SF455
— (d) C.S. Fonds-Bonds ... SF76.25
— (d) C.S. Fonds-Int'l ... SF67.25
— (d) Energie-Valor ... SF43
— (d) Cisec ... SF446
— (d) Europa-Valor ... SF124

DIT INVESTMENT FRANKFURT:
— (d) Concentra ... DM20.70
— (d) Int'l Rentenfond ... DM76.00

FIDELITY (BERMUDA):
— (w) Fidelity Amer. Assets ... $20.02
— (d) Fidelity Dir. Svgs. Tr. ... $55.44
— (w) Fidelity Int'l Fund ... $17.97
— (w) Fidelity Pacific Fund ... $35.80
— (w) Fidelity World Fd. ... $12.77

G.T (BERMUDA) LIMITED:
— (w) Berry Par. Fd. Ltd. ... $73.57
— (w) G.T. Dollar Fund ... $9.05

JARDINE FLEMING:
— (r) Jardine Japan Fund ... $56.29
— (r) Jard Stb East Asia ... $12.70

LLOYDS INT. MGT cp 173 GENEVA 11
—+ (w) Lloyds Int'l Growth ... SF406.50
—+ (w) Lloyds Int'l Income ... SF582

PROPERTY GROWTH OVERS. Ltd.:
— (w) U.S. Dollar Fund ... $94.83
— (w) Sterling Fund ... $119.15

SEPRO:
— (w) Sepro (N.A.V.) ... $13.00

SOFID GROUPE GENEVA:
— (r) Parfon Sa R. Ea ... SF1 572.50
— (r) Secursuis ... SF992

SWISS BANK CORP.:
— (d) America-Valor ... SF451.25
— (d) Intervalor ... SF64.75
— (d) Japan Portfolio ... SF411.50
— (d) Swissvalor New Ser. ... SF226.25
— (d) Univ. Bond Select ... SF51.50
— (d) Universal Fund ... SF92.62

UNION BANK OF SWITZERLAND:
— (d) Amca U.S. Sh. ... SF30.25
— (d) Bond Invest ... SF54.50
— (d) Convert-Invest ... SF77
— (d) Eurit Europe Sh. ... SF115
— (d) Fonsa Swiss Sh. ... SF92.50
— (d) Globinvest ... SF
— (d) Pacific Invest ... SF50.25
— (d) Rometac-Invest ... SF115.50
— (d) Swit South Am. Sh. ... SF111
— (d) Suna Swiss R. Est ... SF175.50

UNION INVESTMENT, Frankfurt:
— (d) Atlantikfonds ... DM29.50
— (d) Europafonds ... DM25.50
— (d) Giltfonds ... DM19.05
— (d) Univerta ... DM42.50
— (d) Unispecial I ... DM62.55

Other Funds
(w) Alexander Fund ... $6.77
(w) Trustee Int. Fd (AEIPI) ... $7.76
Austral. Select Fd ... $1.05
(w) Brownivest ... $12.27
(d) Capital Rentinvest ... LFI 220
(d) Citadel Fund ... $2.84
(r) Cleveland Offshore Fd ... $22.
(w) Convert. Fd. Int. A Certs ... $7.64
(w) Convert. Fd. Int. B Certs ... $12.51
(d) Convert. Bond Fd N.V. ... $9.38
(d) D.G.C. ... $72.51
(d) Dollar Fund (ex-div.) ... $9.77
(d) Dreyfus Fund Int'l ... $12.60
(w) Dreyfus Intercontinental ... $11.68
(w) Europe Obligations ... LFI.010
(w) First Interd Fd ... $125.84
(d) First Nat'l Curr. Fund ... $25.90
(w) Fonsebes Issue Pr ... SF1
(d) Formula Selection Fd ... SF10.05
(d) Fonditalia ... $9.37
(d) Frankf.-Trust Interstas ... DM14.15
(d) Fund of N.Y. (ex-div.) ... $9.28
(w) Future Australia Fd ... Aus.$2.63
(w) Guardian Gl. Fd. Int'l ... $7.81
(w) Haussmann Bldgs. NV ... $1.726
(i) H.O.T.F. Bonet ... $25.50
(d) Icofund ... $9.02
(d) Interfund S.A. ... $9.30
(w) Intermarket Fund ... $100.72
(w) Int'l Inc. Fund (Jersey) ... $23.69
(r) Int'l Securities Fund ... $5.51
(r) Invest. Atlantiques ... $71.93
(d) Italamerica S.A. Fund ... $7.61
(r) Italfortune Int'l Fd. S.A. ... $6.88
(r) Japan Growth Fund ... $19.50
(d) Japan Selection Fund ... $13.94
(w) Japan Pacific Fund ... $22.50
(d) KB Income Fund ... LFI.000
(d) Kleinwort Benson Int. F. ... $10.85
(w) Kleinwort Bens. Jap. F. ... $24.34
(d) Leverage Can Bold ... $24.00
(w) Luxfund ... $19.65
(m) MAGNUM Fund Ltd. ... $20.06
(d) Mediolanum Sel. Fund ... $9.29
(d) Nouwirth Int'l Fund ... $1.16
(d) Nouwirth Inv. Fund ... $2.67
(w) Nippon Fund ... $49.07
(w) Nor. Amer. Inv Fund ... $5.92
(w) Nor. Amer. Bank Fd ... $5.99
(w) N.A.M.F. ... $11.11
(d) Putnam Intern'l Fund ... $
(d) Renta Fund ... LFI.812
(d) Rentinvest ... LFI.71
(d) Sate Trust Fund ... $10.96
(w) Samurai Portfolio ... $1.67
Share Realty N.V. ... SF15.51
Shuss International N.V. ... $4.65
(w) SMH Special Fund ... D2169.50
(d) Soros Fund ... $361.50
(w) Talent Global Fund ... $6.59
(w) Tokyo Pac Hold. (Sea) ... $20.46
(d) Tokyo Pac Hold N.V. ... $10.29
(w) Transpacific Fund ... $22.97
(w) United Cap. Inv. Fd. ... $2.11
(d) Universal Dollar Trust ... $4.10
(d) U.S. Trust Invest. Fd. ... $10.44
(w) Western Growth Fd ... $5.52
(r) Western Hedge Fund ... $1.057.72
(w) West Proprietary N.V. ... $1.071.06
(d) World Equity Grth Fd. ... $373.91
(w) Worldwide Securities ... $31.47
(w) Worldwide Special ... $2.771.72

DM — Deutsche Mark; * — Ex-dividend. z — New. N.A — Not available; BF — Belgian francs; LF — Luxembourg francs; SF — Swiss francs; + — Offer prices. a — Asked: b — bid. Change P/V $10 to $1 per unit. S/S — Stock Split. ** Ex RTS.

JUMBLE — THAT SCRAMBLED WORD GAME by Henri Arnold and Bob Lee

Unscramble these four Jumbles, one letter to each square, to form four ordinary words.

PROOD

GOINJ

DASSIT

YAFFOL

Now arrange the circled letters to form the surprise answer, as suggested by the above cartoon.

Print answer here: _____

(Answers tomorrow)

Yesterday's Jumbles: EXTOL BLOOD ACCESS JOYFUL
Answer: What happened when his air conditioner conked out on a hot summer's day — HE LOST HIS COOL

DENNIS THE MENACE

BOOKS

THE WIFE

By Judith Burnley. Simon & Schuster. 142 pp. $

AMATEUR PEOPLE

By Andree Connors. Fiction Collective. 150 pp. $

DOUBLE TAKE

By Ellen Violett. Doubleday. pp. $8.95.

Reviewed by John Leonard

HERE are three first novels by three talented young women, and I am bereft of generalizations, which is exactly as it should be.

(1) Eve unhappily married, but having an affair: In Judith Burnley's "The Wife," Sarah Cornish is a London journalist working on a series of newspaper articles about bad marriages. Her own marriage — to Adam, a television "personality" — is not so good, either, predictable and practically sexless. But she also has Zack, who is writing a "mammoth work" on "The Persecution and Migration of Minority Groups: An Historical Perspective," and whose own wife seems not to care.

I don't know why, but academics seem to pop up as lovers in many recent novels about unhappily married women, taking up where delivery men and garage mechanics left off in the 1950s.

What happens to Sarah is not much. What happens to her friend Mel is worse. But both women want children, which is refreshing. Oddly Sarah finds herself pregnant not by the television - personality husband or the scholar-lover, but by a playwright named Jonathan, about whom we aren't told much except that he is also married and a family man. Meanwhile, Adam has professional problems and Zack goes to Japan and Sarah is not entirely sure how she would prefer to spend the rest of her life. Men tend to disappoint Sarah, including her father.

One of the points Judith Burnley seems to be making in "The Wife" is that if women are a minority group in the big institutional world, and persecuted, at least the women she chooses to write about are stunningly ambivalent on which direction they might migrate. What distinguishes "The Wife" is that Judith Burnley writes superbly, in limpid fragments, as if a fine poet had composed a novel by telegram.

(2) Eve unhappily unattached, with a houseboat. An identity crisis and an old man who talks to snowflakes: In Andree Connors's "Amateur People," Varia is a poet who has broken up with a movie director and washed up in the middle of a lake where she is trying to commune with her bagel-eating, full-blooded Iroquois grandmother.

"I've got a serious case of wan," thinks Varia. "I look like a suspended sigh." Indeed. Or does she exist at all?

"Amateur People," winner of the Fiction Collective-Brazilier first-novel contest — "A novel with no one home but the reader and no choice for the reader but to admit it," babbles Ra one of the judges — s experimental. Thus, is almost as boring Wurlitzer's "Flats." poet or an actress or Is Mouldie an agin freak, a waiter at luxury resort, a sym decline of literary cu Fields or Harpo Mar Ernie a snowflake or hood from New York district? If any of th is it interesting?

Well, yes. It seems elaborate send-up of identity, sort of surrea out self-pity. The half boring — "I am Shama Mantran, I am Ernie trenches, and so on- nervy, the giggle just aggression against wh in our expectations tional narrative, we ha expect of prose itself nized in packages. A nors doesn't seem to about everything as e novelists are supposed

(3) Eve, more or le unattached. But m accident: In Ellen "Double Take," Maude is a young television somewhat in love — in with a graduate s Columbia and various with her pills, cures bian writer, a sad fa nographic filmmakers, and a lion. After sh dered, along with a shouldn't have been in rored apartment, we nobody knew who she And as each characte her, another falsificati leashed.

Some of "Double Ta to me a rip-off: lookin Goodbar and not fin body. And Ellen Vick in its ambition to every nuance, can get twisted.

But there are subst texture here. Better "Double Take" rather movie "Network" on vision works, even th come to gloomy conclu "Double Take" cheats, on the murder-myst Otherwise, with narra inside information, with density, anger wi tion, knowingness, it is and wholly absorbing.

John Leonard is on of The New York Tim

Two Art Thi Sentenced in

URBINO, Italy, May —Two men convicted o masterpieces by Rapi Piero Della Francesca i Italy's most sensational have been sentenced years and six months Elio Pazzaglia, 33, a Gaudenzi, 40, were cha stealing Raphael's "L Girl" and two works Della Francesca from palace in Urbino. Rapha place, in February, 197 The paintings were by police in a Swiss were returned here wel an applauding crowd pealing of bells.

Solution to Previous Puzzle

A	S	I	S		H	O	S	E		M	O	R	S	E
S	T	O	A		I	B	O	S		I	D	A	H	O
S	O	W	N		G	E	I	A		S	E	R	I	N
	W	A	T	C	H	Y	O	U	R	S	T	E	P	
		A	L	O	E		E	A	S	E	S			
A	F	T		U	N	R	A	V	E	L				
C	L	E	A	N		K	I	D		S	E	A	T	
M	I	N	D	Y	O	U	R	P	S	A	N	D	O	S
E	T	N	A		C	R	O			R	A	N	U	P
				T	H	I	N	A	I	R		A	A	S
	A	S	T	E	R		I	C	A	L				
	K	E	E	P	Y	O	U	R	E	Y	E	O	N	
M	I	T	R	E		A	L	M	I	A		A	T	O	M
A	N	I	S	E		S	N	A	G		S	T	O	P
A	G	N	E	S		T	A	P	E		T	O	N	S

BRIDGE — By Alan T

Playing the blue club system on the diagram West chose to open with one heart rather than two clubs, disliking the quality of his clubs for the latter action.

After a take-out double from North, he was able to bid his clubs on the second round, but his opponents landed in four spades.

The opening club lead was won in dummy with the ace, and South led a spade to the ten. In the replay West won with the jack, and South subsequently led another round of trumps to cash the remaining honors and bring home the contract.

West threw the declarer off the track by winning the first trump trick with the king instead of the jack. This play could hardly lose, and was likely to create some confusion, but few players would think of it in the heat of battle. It succeeded admirably, for after ruffing the next club lead, South was left with the firm impression that the spade jack was on his left. In case East still had both missing trump honors and it seemed advisable to enter dummy for another trump lead.

But when South led a diamond, he was horrified to find that West could ruff with the jack, the card he was known not to hold. After another c the declarer lost a he as well as the trump ruefully congratulated W

However, the declar have recovered from this development and counter deceptive maneuver. A fing the third round of should have stripped c ruffing the fourth rour hand. A trump lead wc have end-played East, him to return a hear South would duck, or t ruff-and-sluff.

NORTH
♠ 9654
♡ A10
◇ AK54
♣ A102

WEST (D) — EA
♠ KJ — ♠
♡ K975 — ♡
◇ — — ◇
♣ KJ97543 — ♣

SOUTH
♠ Q10872
♡ Q432
◇ Q936
♣ —

East and West were vulne bidding:

West	North	East
1 ♡	Dbl.	Pass
2 ♣	2 ♠	Pars
Pass	Pass	Pass

West led the club seven.

هكذا من الأصل

هكذا من الأصل

Feels Ill, but Plays Well, Ousts Kodes

tase, Ever Eccentric, Wins

nard Kirsch

y 30 (IHT).—Ille feeling at his best e played his finest

ld adversary dizzy. Kodes, 6-4, 7-5, 6-3. the French Open ound with a case hich he said helped

ns felt fine today, o good. Harold d seventh, was the was ousted by Higueras, 6-4, 7-5, 2-6, 6-3. Brian Gottfried, the No. 5 seed, made it as far as he ever has at the Stade Roland Garros and did it against a Frenchman, beating Patrice Dominguez, 6-4, 6-1, 7-5, before a packed house whose moral support for their home hero was not enough.

Stan Smith, regaining his form of old, made it to the final 16 by completing a triumph he started yesterday, against Czechoslovak Jiri Hrebec, 6-4, 6-2, 5-7, 7-6.

Nastase had little trouble with Kodes, a Czechoslovak rival he knows so well, and no problems with his stuffed nose. "You see," said Nastase, "sometimes it's good to be sick.

"It made me concentrate harder because I wanted to get it over with quickly, in three, four sets because I didn't know if I'd have the energy if it went any further."

The Romanian had the strength to play his finest match against a man who, except for this year, has given him trouble. Kodes won the French title in 1970 and 1971, the second time beating Nastase in the final. They have played more times than either man said they could remember, but Nastase was sure that this was the first year he has ever beaten Kodes in three sets.

Today was the second straight time he's accomplished it. He beat Kodes last month at home Bucharest.

'It's Really Something'

Next for Nastase comes Gottfried on the center court that both men have been enjoying. Gottfried said after his victory today, "Anything you win in three sets, it's good, but against a Frenchman on center court it's really something."

Gottfried, a determined man, trailed 5-3, and 40-15 on Dominguez's serve in the third set. "I was determined not to lose the set," he said.

Solomon's determination was not enough against Higueras, who later said he was determined "to play him at his own game." And that was to stay back and hit the ball all afternoon.

Australian Phil Dent had a short day's work, entering the quarterfinals with a 6-0, 6-2, 6-4 triumph over New Zealand's Brian Fairlie.

Jack Monet.

n the center court at Stade Roland Garros.

n Seen for Horseracing If Prize Money Raised

y 30 (AP).—En- would not ben- crease in prize it would affect portion who are few of whom nyway," a report oday said.

But the wages of stable staff are pitifully low and should be increased by raising training fees, the report said.

The Economist Intelligence Unit looked into the need for more money in the industry at the request of the Jockey Club.

The vast majority of prize money is won by a select group of top owners, trainers and jockeys, the report said, while 40 per cent of flat racing horses and 64 per cent of jumpers won £100 ($170) or less last year.

The 40-page report gave four reasons for believing prize money is adequate:

- The number of owners is not falling, although the pattern of ownership is changing.
- The number of horses in training has not fallen.
- The quality of British bloodstock is still high enough to attract large numbers of buyers from many countries overseas.
- The number or entries for races not infrequently requires races to be split. Sunday racing, at present out in Britain, is put forward as the most likely method for increasing box office takings, as the problem facing racegoers is a lack of time rather than money. The report also recommends a substantial increase in admission prices.

in Atlanta, s Streak

ay 30 (UPI).— pion Hale Irwin wo holes yester- e Veriato by a he Atlanta Golf first victory in nths.

t a tournament er par when he two years ago held, wound up ar 273 this time, nder 67 in yes-

ook third place dkins fourth at cklaus fifth at

ger Named

y 30 (Reuters). d, manager of Aberdeen, has anager of the football team.

U.S., Cuba Plan Boxing Matches With Amateurs

INDIANAPOLIS, May 30 (Reuters).—Cuba and the United States have agreed to hold an annual series of boxing matches between amateur teams representing the two countries, the Amateur Athletic Union of the United States announced here.

The first fights will be held this year in late November or early December, said Ollan Cassell, AAU executive director. It has not yet been decided whether the fights will be in the United States or Cuba. The plan is to hold the matches in alternate years in each country.

Cassell said the arrangements had been made by himself and Col. Don Hull, AAU boxing administrator, with Cuban officials in Havana earlier this month.

He also announced that American amateur boxers will compete against Cubans and Venezuelans in Caracas from Saturday until June 4. The United States is sending an 11-man team.

After a break of 17 years, Cuba and the United States resumed sports relations on an informal basis last month when a basketball team from the Universities of North and South Dakota visited Cuba for a series of games.

The boxing matches will be the first formal sports competitions between the countries since 1959.

The only times Cuban and U.S. athletes competed against each other during that period were in the Olympics, the Pan American Games and other big international meetings.

Crealy Is Fined

PARIS, May 30 (Reuters).—Dick Crealy, who last week hit two balls into a jeering, whistling crowd at the French Open tennis championships, has been fined $400, tournament director Pierre Darmon said.

A Briton Looks at U.S. Soccer

By Gerard Loughran

NEW YORK, May 30 (UPI).—The problem about watching soccer in the United States is to keep your eye on the ball. There's so much else going on.

It's not just 22 players making magic—or misery—for 90 minutes and then everybody going home. The U.S. approach demands that the game be "sold" to the public. If you suspect you're watching rubbish, you must be persuaded otherwise. Batteries of electronic weapons are used to wage this hyping operation.

The Giants Stadium, a forest of concrete in a barren New Jersey wasteland, is the home of the most famous U.S. soccer club, the New York Cosmos—grazing ground of Pelé, Giorgio Chinaglia and now Franz Beckenbauer.

At a recent game, the Cosmos met the Chicago Sting and lost, 2-1. Not that you would know it from the barrage of cheerleading directed at the 20,000 spectators.

Gigantic Scoreboards

At regular intervals, cavalry bugle calls of ear-splitting intensity shattered the Sunday quiet while the word "C-H-A-A-A-A-R-G-E" flashed back and forth on two gigantic electronic scoreboards. Corner kicks were signaled with the words corner kick in the form of a corner—apparently for fans who thought they might be at a baseball game.

Near-misses set off a bank of goggling electronic eyes and the caption "Did you see that?" If the Cosmos was under pressure, "D-E-E-E-F-E-N-S-E" slogans would exhort the team to redoubled efforts. Visitors' goals triggered a picture of a cartoon character looking distinctly suicidal. A home goal would transport him to rapturous happiness.

When nothing particular was happening, the scoreboard flashed "Go Cosmos" at the dazzled and deafened spectators.

A digital-type clock ticked away the seconds, though the referee is still the official timekeeper.

For near-sighted fans who could not recognize their favorite players or read the names on their backs, a commentator obligingly called out the name of each man as he received the ball.

An Honor Guard

At the start of the game each player ran on separately through an honor guard of schoolboys as his name was announced over loudspeakers. At half-time, the Deer Park High School marching band in gray and purple uniforms, led by 28 majorettes, entertained the crowd to the tunes of what is usually called "a medley of old-tyme favorites," including, oddly, a few bars of "God Save the Queen."

Razzmatazz apart, there is much to commend the U.S. style of presenting soccer to the public. Above all, you are meant to be comfortable and enjoy it.

Just to insure that there wasn't a dull moment, a gentleman dressed as a rabbit and brandishing a carrot pranced along the touchline.

The game was preceded by a couple of school kids' matches, which brought out cheering mums in full measure.

But razzamatazz apart, there is much to commend the U.S. style of presenting soccer to the public. Above all, you are meant to be comfortable and enjoy it.

The Giants Stadium alone is a revelation to any European fan who has stood under the rain on gritty terraces, fueled at half-time by a pork pie and dishwater tea or coffee.

At the New Jersey complex, escalators carry spectators to lower or middle tiers—the top tier is not opened since the average gate comes nowhere near filling the stadium's 76,500 seats, most of which are under cover.

Spotlessly Clean

Dotted liberally around the ground are food stands where fans can get anything the average person would want to munch on over 90 minutes, including frankfurters (75 cents), chocolates, sandwiches, ice cream and all kinds of beverages. The food shops are spotlessly clean, manned by uniformed waiters—one of whom was politely told by an official to put on his hat while serving food.

Stadium officials, many of them zipping about in compact battery-driven cars, are all uniformed in handsome blue and red jackets and trousers.

Blue-uniformed Pinkerton guards provide security at key points.

Lavatories sparkle. They also have washbasins and paper towels. There are iced-water drinking fountains in the promenade areas. Special kiosks sell Cosmos memorabilia and 100-page, five-color glossy programs —$1 apiece—tell you more than you ever want to know about soccer in the United States, including "a glossary of soccer terms" and "condensed rules of the game."

'Ice Cold Beer'

The pampered fan, lolling in his red vinyl seat, can call over attendants whenever he is peckish or wants to respond to ringing cries of "ice cold beer"—75 cents or $1.25 depending on the size of the cardboard cup.

Bus services run to the stadium from points in New York and New Jersey—the Manhattanite pays $1.50 return for the 20-minute journey. The buses move off as each one fills up.

Tickets for the game cost $4 to $12. A $4 seat gives an excellent view.

There are no moats or cages at U.S. grounds because violence has not been a problem here, but security officials looked distinctly worried at the Cosmos-Sting game and escorted the referee from the pitch.

A spectator, shouting "Referee, you're gonna wind up in a ditch tonight," eventually was arrested for throwing an object at him after the game.

An English girl commented: "I do hope soccer isn't going to go the way it has in Britain. I eventually gave up going to matches there, but there seems to be the start of a hooligan element here now."

Trail Blazers Defeat 76ers, 129-107, in a Peaceful Rout

By Leonard Koppett

PORTLAND, Ore., May 30 (NYT).—A nice peaceful rout of the Philadelphia 76ers by the Portland Trail Blazers, 129-107, restored a competitive element to the final round of the NBA playoffs yesterday, leaving the 76ers ahead, 2-1, in the four-of-seven-game series.

There were no fist fights, no riots or near-riots and, really, nothing to fuss about. The Blazers, coming out at top speed, set the tone with a 32-12 start in the first 10 minutes, and although the margin quickly became narrower and was as slight as one point in the third, the outcome was not really in doubt.

Two spectacular baskets by Bill Walton nudged a 4-point lead to 8 within six seconds early in the fourth quarter, and triggered a 26-10 spurt that restored the lead to 20 points. Walton's 18 rebounds and nine assists were the top statistics in a game in which the leading scorers were Julius Erving (28) and Maurice Lucas (27).

"That's our game," said coach Jack Ramsay about his Blazers. "Aggressive defense that triggers our offense. We didn't do it well in the first two games, but we did here, and we'll strive to do it again Tuesday."

Gene Shue, the Philadelphia coach, said pretty much the same things.

"They were more aggressive, and much quicker, than in the first two games," he said. "I wasn't particularly disappointed in the way we played, and I didn't think our team was flat. They're just very tough to beat on their court, and they got off to a good lead, which is something I didn't want to happen."

'Quicker and Sharper'

Home court makes a difference, Ramsay acknowledged. "It's actually a matter of playing well," he said. "It's possible to play well on the road, as we did at Los Angeles and at Denver. But something seems to happen at home, with the support we get from the crowd, that makes us quicker and sharper. That's what we were today—and I think Philadelphia was that way in front of its own fans there."

Major League Standings

AMERICAN LEAGUE

Eastern Division

	W	L	Pct	GB
Baltimore	25	17	.595	—
New York	25	20	.556	1 1/2
Boston	22	20	.525	2 1/2
Milwaukee	24	24	.500	4
Cleveland	18	22	.450	6
Detroit	17	25	.405	8
Toronto	18	27	.400	8 1/2

Western Division

Minnesota	28	16	.636	—
Chicago	24	18	.571	3
Texas	21	19	.525	5
California	23	22	.511	5 1/2
Oakland	21	23	.477	7
Kansas City	20	23	.465	7 1/2
Seattle	19	30	.388	11 1/2

Sunday's Results

Seattle 6, Detroit 4.
California 3, Toronto 2.
Cleveland 5, Oakland 4.
Minnesota 2, Baltimore 2.
New York 5, Chicago 2.
Kansas City 3, Boston 0.
Texas 5, Milwaukee 4.

Monday's Games

Milwaukee 4, Chicago 3.
Seattle at Texas, 2, twilight.
Baltimore at Minnesota, n.
Oakland at Detroit, n.
California at Cleveland, n.
Kansas City at Toronto, n.
New York at Boston, n.

NATIONAL LEAGUE

Eastern Division

	W	L	Pct	GB
Chicago	28	14	.667	—
Pittsburgh	26	15	.634	1 1/2
St. Louis	26	18	.591	3
Philadelphia	22	19	.537	5
Montreal	16	25	.390	11 1/2
New York	15	27	.357	13

Western Division

Los Angeles	33	13	.717	—
Cincinnati	30	23	.565	11 1/2
San Francisco	30	24	.555	12
San Diego	21	25	.429	13 1/2
Houston	18	27	.400	14 1/2
Atlanta	17	30	.362	16 1/2

Sunday's Results

Philadelphia 7, New York 6.
Chicago 3, Pittsburgh 2.
Montreal 14, St. Louis 4.
Cincinnati 8, Los Angeles 1.
San Diego 2, Houston 2.
San Francisco 3, Atlanta 2.

Monday's Games

Montreal 5, New York 1.
St. Louis 14, Chicago 0.
San Diego at San Francisco, n.
Pittsburgh at Philadelphia, n.
Los Angeles at Houston, n.
Atlanta at Cincinnati, n.

NBA Playoff

Portland 129, Philadelphia 107 (Lucas 27, Walton 26; Erving 28, Collins 21). Philadelphia leads best-of-seven series, 2-1.

Major League Leaders

NATIONAL LEAGUE

Batting
(Based on 80 at bats)

	G	AB	R	H	Pct
Trillo, Chi.	41	148	25	55	.372
Parker, Pitt.	41	171	29	62	.362
Scott, St. L.	38	163	13	57	.359
Mumphrey, St. L.	36	80	10	28	.350
Randle, N.Y.	34	81	14	28	.346
Unser, Mont.	30	88	10	30	.341
Kranepool, N.Y.	36	106	15	36	.340
Dyer, Pitt.	22	34	11	28	.337
Simmons, St. L.	40	142	25	47	.331
Valentine, Mont.	33	155	19	51	.329

RUNS—Winfield, SD, 42; Smith, LA, 41; Morgan, Cin., 35; Burroughs, Atl., 34; Rose, Cin. 34.

RUNS BATTED IN—Cey, LA, 45; Winfield, SD, 42; Burroughs, Atl., 39; Parker, Pitts., 38; Garvey, LA, 38; Smith, LA, 35.

HITS — Parker, Pitt., 62; Winfield, SD, 62; Garvey, LA, 60; Griffey, Cin., 56; Trillo, Chi., 55.

DOUBLES — Cromartie, Mont., 18; Rose, Cin., 15; Reitz, St. L., 14; Luzinski, Phil., 13; Hernandez, St. L., 13; Yeager, LA, 13.

TRIPLES—Almon, SD, 5; Brock, St. L., 4; Mumphrey, St. L., 4; Winfield, SD, 4; Foli, SF, 4.

HOME RUNS—Cey, LA, 13; Smith, LA, 12; Burroughs, Atl., 11; G. Foster, Cin., 10; C. Johnson, Houst., 10; Winfield, SD, 10.

STOLEN BASES—Taveras, Pitt., 20; Cabell, Houst., 12; Cedeno, Houst., 18; Moreno, Pitt., 17; Morgan, Cin., 16; Lopes, LA, 16.

PITCHING (6 decisions)—Denny, St. L., 6-0, 1.000, 2.77; Candelaria, Pitt., 6-1, .857, 1.94; R. Forsch, St. L., 7-2, .778, 3.88; Rhoden, LA, 7-2, .778, 4.50; R. Reuschel, Chi., 6-2, .750, 3.44; Carlton, Phil., 6-2, .750, 3.27; D. Sutton, LA, 6-2, .750, 3.12; Lerch, Phil., 5-2, .714, 3.56.

STRIKEOUTS — Rogers, Mont., 67; Koosman, NY, 66; P. Niekro, Atl., 58; Richard, Houst., 57; Seaver, NY, 53; Shirley, SD, 53.

AMERICAN LEAGUE

Batting
(Based on 80 at bats)

	G	AB	R	H	Pct
Carew, Minn.	40	172	29	65	.378
Bailor, Tor.	28	121	24	47	.388
Fisk, Bos.	41	140	26	49	.350
Washington, Tex.	31	121	12	42	.347
Chalk, Cal.	41	147	14	48	.326
A. Woods, Tor.	34	124	17	41	.331
Singleton, Balt.	33	115	18	38	.330
Munson, N.Y.	43	173	20	57	.329
Burleson, Bos.	41	177	25	58	.328
Bostock, Minn.	40	164	29	50	.325

RUNS—Fisk, Bos., 36; Bonds, Cal., 32; Rudi, Cal., 32; Evans, Bos., 31; Hisle, Minn., 31.

RUNS BATTED IN—Hisle, Minn., 43; Rudi, Cal., 40; Zisk, Chi., 37; Munson, NY, 34; Velez, Tor., 32.

HITS—Carew, Minn., 65; Burleson, Bos., 59; Munson, NY, 57; Cooper, Mil., 56; Money, Mil., 56.

DOUBLES—McRae, KC, 15; Lemon, Chi., 13; Burleson, Bos., 12; Bostock, Minn., 12; Page, Oak., 12.

TRIPLES—Randolph, NY, 5; Carew, Minn., 5; Rice, Bos., 4; Moore, Mil., 4; Munson, NY, 4; Remy, Cal., 4; Zisk, Chi., 4; McRae, KC, 4.

HOME RUNS—Zisk, Chi., 13; G. Scott, Bos., 12; Evans, Bos., 11; Hisle, Minn., 11; Gross, Oak., 11.

STOLEN BASES—Remy, Cal., 19; Patek, KC, 16; J. Norris, Cleve., 13; Bonds, Cal., 12; Rivers, NY, 10.

PITCHING (6 decisions) — Tanana, Cal., 8-1, .889, 2.17; D. Alexander, Tex., 6-1, .857, 2.92; Burgmeier, Minn., 5-1, .833, 2.17; Garvin, Tor., 5-2, 7.50, 3.30; Castro, Mil., 5-2, .714, 5.56; Knapp, Chi., 5-2, .714, 4.94; Palmer, Balt., 7-3, .700, 2.65; Ryan, Cal., 8-4, .667, 2.42.

STRIKEOUTS—Ryan, Cal., 112; Tanana, Cal., 89; Palmer, Balt., 87; Blyleven, Texas, 62; Leonard, KC, 47; Blue, Oak., 46.

Multiyear Contract For Dorsett at Dallas

DALLAS, May 30 (UPI).—Heisman Trophy-winner Tony Dorsett has signed a multiyear contract with the Dallas Cowboys, the team announced. Terms of the contract were not released.

Dorsett was the Cowboys' No. 1 draft choice and the second person taken in this year's college draft.

Berlin Boxing Match

BERLIN, May 30 (Reuters).—West German Eckhard Dagge will defend his World Boxing Council light-middleweight title here Aug. 6 against Italian Rocky Mattioli, it was announced.

Homers Aid Reds

Dodgers Lose Series First Time in Season

LOS ANGELES, May 30 (UPI).—The pressure is on the Cincinnati Reds and they know it.

For the first time this season, the Los Angeles Dodgers have lost a series and the Reds, who admitted they virtually had to win, were responsible.

"This was the difference between being 15 1/2 games out," said Reds' manager Sparky Anderson, "and 11 1/2 out."

"If we didn't win these two games," added Johnny Bench, "I think it would have been a long, hot summer. Now we're thinking of cutting their lead to seven games and we can go from there."

Bench put his name into the Cincinnati record book with his seventh career grand slam yesterday as the Reds blasted the Dodgers, 8-1.

"It was a tough loss," conceded manager Tommy Lasorda of the Dodgers, "but we still only lost one game to them in the series. They came here 12 1/2 behind and left 11 1/2 behind.

'It's Gratifying'

"When you lose two games in a row to Cincinnati and still are 11 1/2 ahead, it's gratifying."

Bench's grand slam came off Rick Rhoden, now 7-2, with none out in the top of the first after Pete Rose and Ken Griffey opened with singles and Joe Morgan walked.

"I've been thinking about that grand slam a long time," said Bench, "because it is a club record and that means something to me. I even hoped Morgan would walk so I'd get a chance today.

"This was a big win. We hoped to win two out of three and we did it. We knew a sweep was unrealistic because the Dodgers are a solid lineup."

After being blown out of Dodger Stadium 10-3 as the Dodgers collected a season-high 17 hits Friday night, the Reds outscored Los Angeles 14-4 in the second two games.

More Home Runs

In yesterday's game, Griffey clouted a two-run homer off Rhoden in the second inning and George Foster and Morgan belted solo shots off Stan Wall in the eighth and ninth.

Giants 3, Braves 2

At San Francisco, Tim Foli's hard ground single off the glove of shortstop Jerry Royster scored Gary Thomasson from third with one out in the bottom of the 10th to give San Francisco a 3-2 victory over Atlanta.

Rangers 5, Brewers 4

At Milwaukee, Toby Harrah's double in the 11th scored Jim Fregosi with the winning run to give Texas a 5-4 victory over Milwaukee.

Red Sox Trade Darwin to Cubs

BOSTON, May 30 (UPI).—The Boston Red Sox have traded outfielder Bobby Darwin to the Chicago Cubs for left-handed reliever Ramon Hernandez.

Hernandez, 37, has pitched for Atlanta and Pittsburgh, as well as the Cubs twice since breaking into the major leagues in 1967. He has a lifetime record of 23 wins, 14 losses and 45 saves. With the Cubs this season, Hernandez had no record in six games.

Darwin, 34, hit .222 in four games with Boston this season. Acquired from Milwaukee last year after starting his career with Los Angeles and Minnesota, the six-year veteran has a lifetime batting average of .252 with 83 homers.

Johnny Bench

Cubs Streak Of Victories Is Ended at 5

ST. LOUIS, May 30 (UPI).—Ken Reitz slammed a two-run homer and Lou Brock added a two-run triple during a nine-run sixth inning which sparked the St. Louis Cardinals and Pete Falcone to a 14-0 rout of Chicago that snapped a Cubs winning streak at five.

Falcone, benefiting from a season-high 21 hits, allowed six hits and walked only one in raising his record to 3-5.

St. Louis sent 12 batters to the plate and collected nine hits in the sixth. Brock's two-run triple, Reitz's homer and Jerry Mumphrey's two-run double were the key hits in the rally. Reitz's homer was his third in the last four games and sixth of the season.

The Cardinals took a 1-0 lead in the third on a single by Bake McBride, a stolen base, an infield out and Brock's groundout. St. Louis added three runs in the fourth on singles by Garry Templeton and Mike Tyson, a sacrifice fly by McBride, a single by Mumphrey, a single by Brock and a wild pitch by losing pitcher Mike Krukow.

Expos 5, Mets 1

At New York, Tony Perez slammed a two-run homer to back the four-hit pitching of Steve Rogers and paced Montreal to a 5-1 victory over New York in the first game of a doubleheader.

Perez's homer, his sixth of the year, came after a single by Chris Speier with one out in the sixth off starter and loser Nino Espinosa, 2-4, and gave the Expos a 2-1 lead.

The Mets had taken a 1-0 lead in the fifth inning on a double by Roy Staiger, a sacrifice by Espinosa and a sacrifice fly by Lenny Randle.

Montreal added three insurance runs in the seventh with the aid of a three-base error by right fielder Ed Kranepool. Dave Cash and Speier singled to start the inning and Andre Dawson followed with a single to right that got by Kranepool, allowing all three runners to score.

Brewers 4, White Sox 3

In the American League, at Chicago, reliever Lerrin Lagrow walked Robin Yount and Don Money in succession in the eighth to force home the run that gave Milwaukee a 4-3 victory over Chicago in the first game of a doubleheader.

Sunday's Line Scores

NATIONAL LEAGUE

New York ..... 200 010 003—6 9 2
Philadelphia ..... 110 101 00x—7 10 0
Matlack, Apodaca (7) and Grote; Kaat, Brusstar (6), Twitchell (7), Garber (9) and Boone. W—Kaat (1-2). L—Gossage (4-1). HR—Oliver (6th).

Montreal ..... 001 010 301—14 14 0
St. Louis ..... 101 010 001— 4 8 2
Warthen (2-2) and Carter; Forsch, Schultz (1), Urrea (5), Metzger (8) and Simmons. L—Forsch (7-2). HR—Scott (2d), Anderson (2d), Parrish (3d, 4th, 5th), Unser (4th).

Cincinnati ..... 420 000 011—8 10 0
Los Angeles ..... 000 000 010—1 8 0
Norman (4-2) and Bench; Rhoden, Sosa (7), Wall (8) and Yeager. L—Rhoden (7-2). HR—Bench (8th), Griffey (4th), Foster (10th), Morgan (7th).

Houston ..... 010 000 001—2 6 0
San Diego ..... 010 000 20x—3 6 1
Lemoncello, Pentz (8) and Ferguson; Jones, Spillner (7), Fingers (9) and Davis. W—Spillner (2-0). L—Lemoncello (3-7). HR—Ferguson (8th), Winfield (10th).

Atlanta ..... 001 000 100 0—2 11 1
San Fran. ..... 000 011 000 1—3 11 0
Leon, Collins (7), Campbell (8) and Cortell; Curtis, Williams (4), Cornutt (6), Moffitt (7), Lavelle (10) and Rudolph, Sadek (10). W—Lavelle (4-1). L—Campbell (0-1).

AMERICAN LEAGUE

Seattle ..... 010 001 201—6 11 0
Detroit ..... 010 201 000—4 7 0
Rick Jones, Thomas (6) and Stinson; Arroyo, Foucault (7) and Wockenfuss. W—Thomas (2-5). L—Foucault (2-2). HR—Stanley (4th), Wockenfuss (5th), Braun (1st), Collins (1st).

California ..... 000 010 200—3 8 1
Toronto ..... 100 000 010—2 5 0
Ryan (8-4) and Humphreys; Lemanczyk (2-3) and Ashby. HR—Bonds (10th).

Oakland ..... 030 000 001—4 11 0
Cleveland ..... 110 001 002—5 11 2
Langford, Lacey (7), Guisti (9) and Murray; Dobson, Kern (9), Monge (9) and Posse. W—Monge (1-1). W—Lacey (1-2).

Minnesota ..... 010 000 020—3 6 0
Baltimore ..... 000 000 002—2 8 0
Goltz, T. Johnson (9) and Borgmann; Flanagan (1-3) and Dempsey. W—Goltz (4-3). HR—Smalley (2d), Singleton (6th).

Chicago ..... 200 000 000—2 6 1
New York ..... 000 003 02x—5 5 0
Kravec, Johnson (8), Hamilton (8), Lagrow (8) and Downing; Figueroa (6-3) and Munson. L—Kravec (0-1). HR—Chambliss (5th).

Kansas City ..... 020 001 000—3 10 0
Boston ..... 000 000 000—0 6 1
Colborn, Littell (8) and Porter; Stanley (5-2) and Fisk. W—Colborn (6-5). HR—Porter (4th).

Texas ..... 200 110 000 01—5 12 0
Milwaukee ..... 001 010 020 00—4 12 1
Marshall, Hargan (6), Knowles (7), Devine (8) and Sundberg; Travers, Beare (3), Hinds (5), Castro (11) and Moore. W—Devine (4-1). L—Hinds (0-1). HR—McMullen (3d).

21. Sometimes letters just don't do it.

(An international call means business.)

Long Distance is the next best thing to being there.

Janet Guthrie at the Indy 500

Lady Proves She Belongs on the Track

Anderson

OLIS, May 30 ldn't you know of many of the at the India- rday, the lady ut is wasn't a it wasn't even Not for this

he first woman he world's most s, was waiting hite and green w tinkered with uttered through d there, on her pit stops, she he stifling heat, e of alcohol and led and spilled ket seat where

d through her lameproof suit . That type of ed in the wom- Her skin was at there stoical- her pit crew r her to dilute uthrie had that r for almost two er even twitch- he memory all yesterday will ly belonged on

with the first lly at Indiana- Tony Hulman, your engines." ngine soon was she pulled out stop, somebody right side fuel as running too rich, using too much fuel." Soon she returned for her bath. This time a sensor valve was changed. And after about 10 minutes, she zoomed off, to the cheers of those in the stands behind her pit. But then she was back again, this time for nearly an hour, as her crew put in a new ignition system.

"If they fix the car," she was saying now, "I'll get back in the race and run like I was never out of it." She was out of the car now, talking into microphones for TV and radio newsmen and for the speedway's public-address system. But she still had her white helmet on. She stood with her hands on her hips, peering through sunglasses as her crew in their yellow suits tried to fix the motor. Then she sat on a set of the wide, smooth tires that racing cars use.

A Million Bees

Casually she pored water out of a big red plastic container with a long spout over her flameproof suit to cool her skin, but she never even twitched. All around her car, members of the speedway's fire crew stood with fire extinguishers as the mechanics fiddled with the fuel system. When she finished pouring the water over herself, she held up the red container. "Somebody," she said firmly, "better refill that."

Down the straight in front of her, A.J. Foyt, who would win the 500 for a record fourth time, was chasing Gordon Johncock in a roar of motors that sounded as if a million bees had been let loose.

But there was no sound from Janet Guthrie's car. And it was never really fixed. "Each time they replaced an element on the car they thought that was it, I'd try it out," she would say later. "But after two or three times, we knew it was no use."

Other drivers had dropped out quickly, presumably because they knew their cars could not be repaired. But with the same stoicism that she showed when the fuel spilled over her, Janet Guthrie kept trying to race.

"You can't call her a quitter," another lady near her pit had said. "I'd have been crying by now."

But this lady wasn't crying. In the morning, while his 39-year-old daughter was inside her garage, Iain Guthrie talked about how she had driven a tractor when she was perhaps six years old and how she had flown a plane before she was old enough to be licensed. Her father is retired now, but he was an airline pilot who knows what danger is. During World War II, he piloted cargos of munitions.

"She's a smart girl," he had said. "Don't know how she got involved in this. But she's always been strong. I remember when she was about three, I once told her, 'If you hurt yourself doing what I'm telling you not to do, I'll give you a spanking anyway.' She looked up and said, 'Doesn't sound right to me.' Will of iron."

That will of iron had been obvious. But now, her race finally over, she got out of her car, took off her helmet and put on a white sun hat. As she walked away from her pit, she was cheered and she waved and moved quickly through the throngs into gasoline alley where she disappeared into her garage. Moments later, she emerged, still in her blue driver's suit, and strode through a nearby door.

"The problem is," her sponsor, Rolla Vollestedt, said, "she has alcohol all over her body. She has to take a shower and there is only one shower here, including the hospital. That's one of the few inadequacies of the speedway, but she has to take a shower. Her skin is killing her."

Soon she reappeared in a blue-and-white Chinese tunic, white slacks and sandals. Her toenails were painted. But her fingernails weren't. And she wasn't wearing any jewelry. She acknowledged her disappointment but she talked about how she has been racing cars for 15 years and how she has developed a "certain amount" of stoicism. She also talked about the "monkeying around" on the first turn at the start of the race.

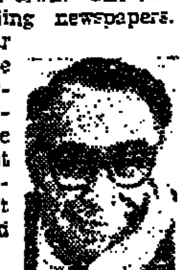
"All the dodging and weaving," she said. "Some guy cut across in front of me and slammed on his brakes. I was intent on making a more conservative start and I was working my way back up when the car went."

That's when the lady took her bath. But even now, with the race over, Janet Guthrie didn't complain. When she was asked about it, she agreed that "it burns, it's capable of producing blisters." But she never even twitched.

Art Buchwald

Sans Souci High Noon

WASHINGTON—As if we didn't have enough to worry about in Washington, it is now rumored that the Sans Souci restaurant is no longer "in" since the Carter crowd arrived in town. The nation's two leading newspapers, Women's Wear Daily and the National Enquirer, both have reported that the Sans Souci is out and a Carter appointee wouldn't be found dead there.



Buchwald

This came as a terrible blow to the elite clientele that eats lunch there every day. Those of us who have been dining through five administrations always have considered the Sans Souci the power center of the country.

We believed that no important decision was made in the government without it first being discussed at our restaurant over rognons de veau and Dover sole, served with either a respectable Mouton Rothschild or a chilled bottle of Pouilly Fuissé.

High-priced Washington lawyers and higher-priced Washington lobbyists did their business under the watchful eyes of high-priced columnists and television commentators.

The Sans Souci became synonymous with big government and power politics. KGB agents used it to plant stories on unsuspecting newspapermen. World Bank officials met with ministers of finance to negotiate multimillion-dollar loans. Heads of conglomerates used it to plot strategy against Securities and Exchange Commission regulations. Contractors worked over Army and Navy procurement officials to land contracts. New tax shelters were designed on the white tablecloths.

There was no doubt in anybody's mind that if you wanted to make a deal, you had to come to the Sans Souci.

The publicity that the Sans Souci was not the "in" restaurant anymore hurt us all. Every day we sat at our tables waiting, hoping, praying that someone from the Carter administration would walk through the door.

The real problem for all of us was that no one knew what a person from the Carter White House looked like, and even if he did come there, we wouldn't be aware of his presence.

Just the other day, someone came in the restaurant in a leisure suit and sneakers. We all became excited because he was talking to Paul, the maitre d'hôtel, with a Southern accent and he didn't seem to have a reservation.

"It could be one of them," a lobbyist at the next table said to me excitedly. "He seems to be shuffling."

"Carter people don't shuffle," I said. "They have style. Didn't you read Pat Caddell's memo?"

"I hope Paul gives him a table. Wouldn't it be terrible if the first Carter person ever to come to Sans Souci couldn't get in?" he said.

"Poor Paul," I said. "He's in a quandary. He has no way of knowing if the guy's a cotton farmer from South Carolina or Carter's national security adviser for Southeast Asia."

"I'd take a gamble," a lawyer from the Hogan and Hartson law firm said, "and let him in. We can't just sit here and wait forever."

"If we don't get someone from the Carter administration soon," a defense contractor moaned, "our lunches will not be considered deductible."

Paul finally decided to give the man a table.

"Who is he?" we asked excitedly.

"He's a Carter intern working in the mail room," Paul said.

"The White House is back," a columnist cried. "We can be considered an 'in' restaurant again."

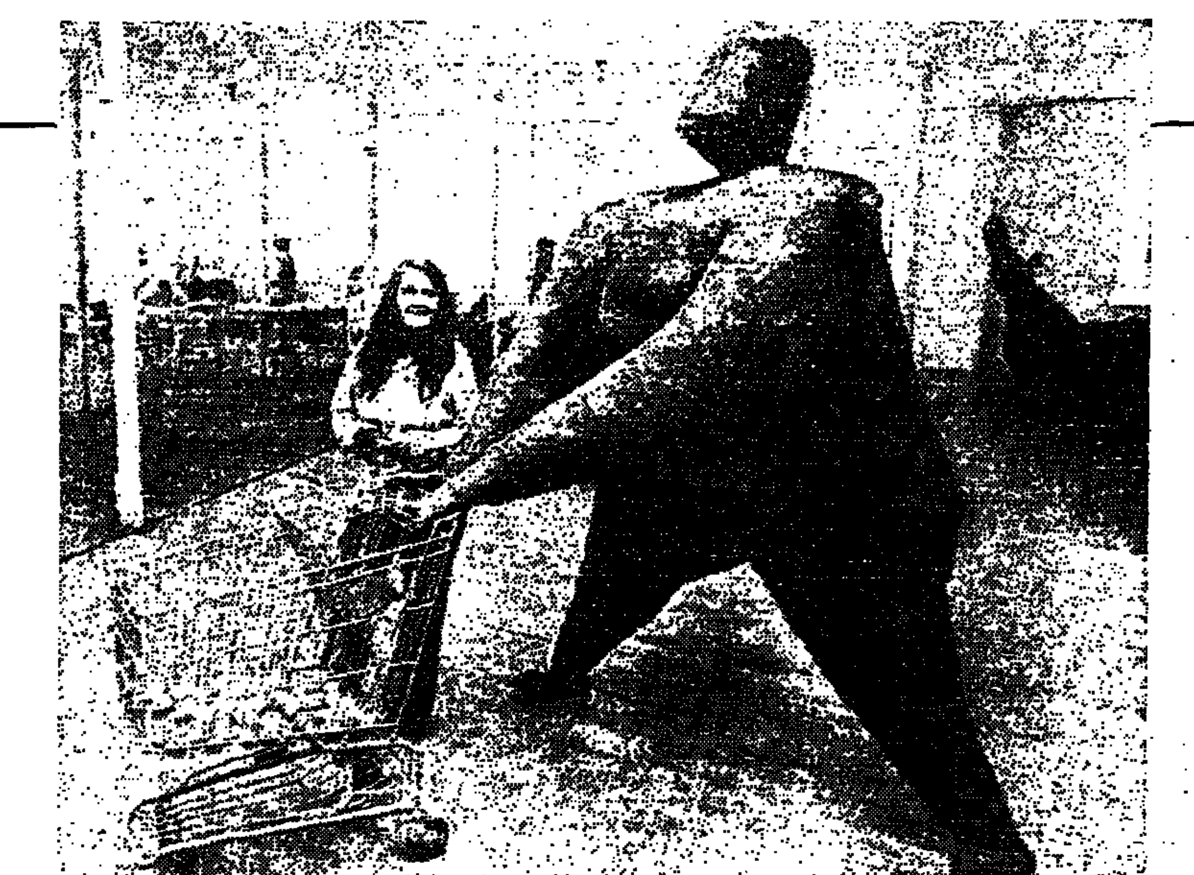
"I knew they couldn't stay away," the lobbyist chortled. "No matter what Carter vowed, he needs the Sans Souci more than we need him."

I asked Paul for a telephone. When he brought it to the table I immediately dialed Women's Wear Daily and said to the editor, "Hold the presses!"

6-Month Birth Pill Being Tested in U.S.

COLUMBIA, Mo., May 30 (AP).—Tiny time-released capsules that could prevent pregnancy for up to six months are being tested on cows by veterinary scientists who say the pills may one day be suitable for humans.

The capsules, composed of the hormone progesterone, would be injected into a woman's cervix.



Kate Millett and a "Naked Lady" with shopping cart. Los Angeles Times.

Kate Millett Among Her Naked Ladies

By Kathleen Hendrix

LOS ANGELES—Up two flights of wooden stairs into a not-yet-clean, well-lighted space and, seven years of sexual politics later, there is Kate Millett among her naked ladies.

Before she was so emphatically interrupted by the 1970s, a decade she helped disrupt with the publication of "Sexual Politics" in 1970, with her subsequent exit from the closet and arrival on the evening news, Kate Millett sculpted.

She has been sculpting for 18 years, never stopped completely, she says, and is at it with a vengeance now, having just prepared for her eighth solo, and first West Coast, exhibition, "Naked Ladies," which opened recently.

If the naked ladies were flesh and bones, rather than chicken wire, papier-mâché and liquid cement, each would weigh a ton, naked. One lady bears down on a shopping cart, one fills a sofa with her girth as she talks on the phone, one sprawls on a bed, one sits on a toilet.

The other day, before the opening, one was lying on the floor, waiting to be placed in her kitchen and another was yielding her chicken-wire back and arm to the ministrations of Kate Millett and two volunteers who slowly wove paste-soaked strips of paper toweling in and out of the wiring.

"This is Emily," Miss Millett said, sounding happy to introduce her. "Emily is going to sit at the head of her picnic table. In her right hand she will bear a large martini glass. Her left hand will beckon you as if to a feast—and you are looking at her big backside right now."

It was a busy day in a hectic week. Emily was not ready and the rainy weather was holding up the drying process. Also, before the opening, there was the rubble of two months' worth of late-night wine glasses, wadded paper, empty coffee tins, notes, scraps to be cleared plus drawings and silk screens to be framed.

"We'll make it," Miss Millett said, leaving Denise Demirjian and Louise Paxton, two women who have been helping her for weeks, to work on Emily while she drank coffee and talked about herself and her ladies.

Does she like fat?

She gave a slow smile of assent and answered, "Yeah. We don't like fat in America. Women are oppressed by this diet thing. I decided I'd celebrate fat," and then, by way of apologetic explication, "They're not obese. They're big. They're strong, they're all trapped in absurd little circumstances—the phone, the shopping cart—and they kind of overwhelm their circumstances."

At 42, Kate Millett is getting a little thick around the middle herself, wears horn-rimmed glasses and keeps her graying hair long.

After the commotion of "Sexual Politics," she wrote "Flying," an autobiographical memoir of her bout with fame and how it almost undid her. Much of it concerned what it meant to her to be lesbian and to have that fact part of the public domain.

The fame has "gotten more manageable," she said. "It was a pain in the neck... a lot of people get real chewed up and stay that way. I guess I just wrote my way out of it... I like to think I've grown up since 'Flying.' I'm at a place where I'm sort of consolidating—really concentrating on my work. I've gotten away from instant notoriety. I like to think I have a bit of a more solid literary reputation—and artistic. Even for the politics—I would like to be sort of a moral force rather than be on TV as a celebrity hype. I'm 42. I have lots of books to write, lots of shows to make."

The milieu is thoroughly feminist and within it Miss Millett constantly identifies herself as an artist, more specifically a sculptor.

"I kind of decided at my last show I really would insist upon my work. I'm really a damn good sculptor and nothing in the world is going to make me give it up."

© Los Angeles Times.

PEOPLE: *It May Not Be Illegal To Love Someone, But*

J. F. terHors[t]
. . . talks ab[out]

Mercedes Brenner has been arrested 58 times in Miami in her attempt to tell Rolando Duvallon how much she loves him. Mrs. Brenner, a 47-year-old widow, says that she wants to marry Duvallon. But the 53-year-old widower says he doesn't love her. "She won't leave me alone. I have to keep my doors locked," he says. Mrs. Brenner is now in jail because she defied a judge's order to keep away from Duvallon, a social-work supervisor. "She has a trousseau and a white gown in her home," says Ted Mastes, an assistant state attorney. "This lady is torturing this man. Never has there been a saga like this in the history of the Dade County criminal system," he said. But, countered public defender Dennis Urbano, "You are not supposed to use the criminal justice system to resolve personal problems. It is not illegal to love somebody."

* * *

An American sat in the sunlight in the garden of the Tavern-on-the-Green in New York Sunday, speaking Russian with his daughters, eating filet mignon and reminiscing about the years he had spent eating rats in Soviet prison camps. The American, Victor Herman, was a 16-year-old Detroit auto worker when he went to the Soviet Union and a 60-year-old professor of foreign languages when he returned last year. He spent 18 of those years in labor camps and in exile in Siberia and 20 years trying to get back to the United States. It had taken him more than a year to get permission from the Soviet government for his daughters, Svetlana, 25, and Janna, 20, to join him in the United States. The three were reunited around midnight Saturday. Herman said his joy was almost complete. It will only be complete, he said, when his wife, Galina, and his 87-year-old mother, Tanya, are able to join the family in Detroit. Herman believes he is the only survivor of 300 Americans who went to the Soviet Union in 1931 under contract with the Ford Motor Co. to help build an auto factory.

* * *

When Gerald Ford moved into the White House, he was virtually broke, but now he is on his way to becoming a millionaire, says former Press Secretary J. F. terHorst. In an article written for Free Enterprise magazine and excerpted in The Washington Post, terHorst said that Ford—with the help of a "hot-shot" talent agent—stands to make up to $3 million in the next three years by virtue of being a former presid[ent] ... Horst, who resigned ... secretary after Ford ... Richard Nixon, noted ... had to borrow $10,000 ... family expenses the y[ear] he moved into the Wh[ite House]. He criticized Ford for ... to "all this huckste[ring] hustling and mercha[ndising] the presidency," which "robs the office of ... fine and decent." Sin[ce leaving] the White House, For[d has made] more than 3,600 bu[siness] services, terHorst said ... children are also "cas[hing in on] their first family ..." said terHorst: son Jac[k has] a job as assistant to the ... of Rolling Stone mag[azine at a] salary reported to be ... $30,000, to help on a n[ew] magazine; son Steve i[s a] star in a television ... for $30,000; and daugh[ter Susan] has sold a portfolio tit[led "White] House Scrapbook" to Go[od House]keeping magazine.

* * *

In Los Angeles, for[mer White] House chief of staff H ... man has challenged ... Nixon's televised sta[tements on] the Watergate sca[ndal ...] promised to publish a ... barred" book on th... later this year. Halde[man ...] ly to enter prison durin[g ...] month to serve a 30-... eight years' sentence ... Watergate coverup, wa[s ...] ing Nixon's statements ... television interviews ... Frost.

—SAMUEL J...

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A Special Report

INTERNATIONAL
Herald Tribune
Published with The New York Times and The Washington Post
PARIS, MAY, 1977

FOCUS ON SPAIN—1977

With First Democratic Election in 41 Years A New Chapter Is Opening for the Nation

Suárez Rule Has Brought Big Change

MADRID (IHT).—The pace of reform in Spain in the last six months, from the December referendum approving the dismantling of the Franco dictatorship to the eve of the country's first general elections in 41 years, has dramatically speeded up.

After pulling slowly and painfully through the first post-Franco year like a rudderless ship, which could so easily have swerved further to the right, Premier Adolfo Suárez seems to have set the country firmly on its course to democracy, although events could still blow it off course and further delay the democratic goal.

That the country had to wait until the first anniversary of Gen. Franco's death (Nov. 20) before noticeable changes began to be made spoke for the firm hold that the Francoist establishment exercised during that first year. The first six months after the dictator's death, with Carlos Arias at the helm, saw very little progress. It was not until Mr. Arias was sacked by King Juan Carlos last July and Mr. Suárez, Europe's youngest Premier, took over that the pace quickened.

It was as if the reformists within the establishment felt that they had to wait a respectful year before starting to bury Francoism. Certainly no serious attempt at doing away with the Franco system, which had held Spain in a vice-like grip for 36 years, was made until Mr. Suárez took over the hot seat.

Careful Tread

Mr. Suárez has had to tread very carefully between the Franco establishment and the opposition in its numerous guises. What is remarkable is that he has used the legality of the Franco system in the last six months to get rid of the system and made the Francoists in the Cortes (parliament) commit hara kiri. Only a few times has he stepped out of the framework of the laws of the old regime, although he has had to rely largely on decree laws, promulgated by King Juan Carlos, in order to surmount major obstacles.

The culmination of Mr. Suárez's first six months in office came with the referendum when he put fundamental political reforms to the vote, paving the way for the general elections. An overwhelming 94 per cent voted in favor of electing a new parliament and allowing political parties other than the National Movement. A pathetic 2.6 per cent—the hard-core Franco element—voted no in the referendum. Even the government was surprised by the wide measure of confidence which Spaniards gave it to carry out reforms, although it must be pointed out that the referendum was hardly carried out on democratic lines, with the government urging everyone to vote yes and flooding the country with propaganda.

The right reacted quickly to their defeat. El Alcazar, the newspaper of Gen. Franco's Civil War veterans, said: "We do not have the feeling of being beaten as a result of the outcome of the referendum. Having done our duty (to vote no), we now go on the offensive." It was a veiled warning to the government. To all but the blinkered it was obvious that the referendum result represented the demise of the right. Mr. Suárez quite rightly interpreted the result as a clear mandate to move faster on the road to democracy, which he did, giving himself six months for the elections.

Two days after the referendum he was presented with his first and most burning problem when Santiago Carrillo, the exiled secretary-general of the Spanish Communist party, was arrested in a Madrid street along with seven members of the party's executive committee. Mr. Carillo, the arch-enemy of the Franco regime, had evaded arrest for ten months after returning illegally from 37 years in exile.

A Dilemma

Mr. Suárez faced a dilemma. The Communist party was still illegal under the ambiguous terms of the new law of political association, which banned totalitarian parties and those submitted to an international discipline. The law had been drafted in such a way by the Suárez government in order for it to pass through the conservative parliament. On the other hand Mr. Suárez knew that to allow some parties and ban others made a mockery of the democracy which he now professed to be bringing to Spain.

So he compromised: which he has had to do all the time. Mr. Carrillo was briefly imprisoned, released and the party subjected to arbitrary control by authorities: one week a clampdown, the next a blind eye was turned toward their "illegal" activities. This attitude continued while the party's legalization was delayed until April.

The same day that Mr. Carrillo walked out of Carabanchel prison the government abolished political courts, the Public Order Courts, through which thousands of people were handed out fines and heavy prison sentences for political offenses. However, political offenses still existed.

The outrage which the right felt at the tacit acceptance of the Communist party was soon unleashed with a campaign against the Civil War activities of Mr. Carrillo. The Communist leader was allegedly involved in the killings of thousands of people in Nov. 1936 at Paracuellos del Jarama outside Madrid. Mr. Carrillo adamantly denied any responsibility and the campaign only served to open up Civil War wounds.

Violence

Political violence, from police and activists' bullets which claimed the lives of over 40 people in the first post-Franco year, was another of the immediate pressing problems facing Mr. Suárez. The kidnapping of Antonio María de Oriol, the president of the Council of State, on the eve of the referendum and the subsequent seizure in January of Lt. Gen. Emilio Villaescusa, president of Spain's highest military tribunal, had the country on ten-

(Continued on Page 5.)

Associated Press.

Union members, here voting to strike last winter, have gained legal recognition.

Voting for Parliament On June 15

By William Chislett

MADRID (IHT).—When all the votes have been counted on June 15 and the electoral fervor is over, a long chapter in Spanish history will be closed and another, equally precarious, opened.

For three weeks politicians will have barnstormed the country persuading people that their political option is the right one. Harangued by the left, the right and the center, bombarded by pamphlets and posters covering every available inch of wall space, Spaniards will be saturated in politics. Many, bemused and bewildered, particularly in villages, will go to the polls with little conviction in whatever party they eventually decide to honor with their vote.

A cruelly astute cartoon in a newspaper recently showed someone placing his vote in an urn and a smoke bomb coming out of the side of the urn. The point was valid: Spaniards now have the right to elect their representatives, but will the authoritarian structure of the country soon change? Voices raised against the Franco dictatorship were quickly stifled. Voices raised during the transition period against what many sectors of the opposition called a sham democracy were also silenced—witness the fierce way in which police broke up demonstrations.

Democracy has been the word on the tip of everyone's tongue in the 17 months since the death of Gen. Franco. With the votes cast for the country's first democratically elected parliament in 41 years, it should be put into practice. The "dialectic of pistols" of the transition period (a phrase coined by José Antonio Primo de Rivera, founder of the Falange and hero of the Franco regime), will hopefully become reasoned debate in the new parliament.

In Office

The immediate issue facing the new parliament after the government is drawn up will be to draft a new Constitution. It is most likely that Adolfo Suárez, the present Premier, will continue in office. His mandate does not run out until 1981 anyway. Most probably King Juan Carlos will ask him to stay on until then, barring unforeseen circumstances like an overwhelming victory by the neo-Francoist Popular Alliance. On the fair assumption that the Democratic Center of Mr. Suárez will obtain the most votes, though probably not an outright majority, he will continue in office.

The composition of the next government will depend on the electoral result. It has been reported that if everything works out as Mr. Suárez hopes it will, then there will be a center-left coalition government.

The government has already started to study a new constitution. Mr. Suárez has spoken of the need to "consolidate" the democratic process. Its drafting will be hotly debated in the new parliament, particularly if the Democratic Center tries to railroad it through without consulting with the left. The strongest resistance to a new constitution will come from the Popular Alliance, which sees no need for it. Spain has had 12 constitutions since 1808. The last constitution was in 1931 with the establishment of the second Republic. Gen. Franco suppressed it after the Civil War and substituted it with Fundamental Laws which have constitutional status.

Statutes granting autonomy to Catalonia and the Basque country were added to the Republican constitution. The autonomy issue will be another hot potato in the new parliament. Both the autonomy and constitutional issues are frowned upon by the armed forces. Indeed it is understood that the armed forces will not permit the "breaking up" of Spain. On the constitutional issue the Popular Alliance, which enjoys considerable support in the conservative military hierarchy, has been appealing to the armed forces to "defend the institutional order"—which is interpreted as a

(Continued on Page 2.)

Many Financial Woes

ɔe Is for Stable Economy er the Transition Period

By Harry Debelius

(IHT).—"I was frank- erwhelmed when I ɔe production line at West Germany. They the same machinery, processes; and produc- ɔe kind of product I hey were turning out , and peak production it is 26 an hour."

nian manufacturer of kaging creations, with ience in the field, was ut the state of Spanish day, chatting with a end and myself in a eteria.

ught. 'These Germans, how to work; you've it to them.' And I olleague, the German nager, how he man- high rate of produc- with Spanish work- n manage is less than e.

ne down to the shop e said, 'Why don't you orkers?' You won't They were Spanish. Italians! There were ermans in the lot of The secret is German . The Germans er Hitler; they work- denauer; they worked Brandt; the Germans e of organization that ve.

now the trade unions lend money to indus- investment? Any tried that in Spain denounced by the eing sold out to the alists.

hausted'

those same workers, ones; you bring them ermany and you put in my plant in this when you get up 25 or 26 units an complain that you river, that they are Spaniards are hard id because somebody e rules. But when making the rules, rkers are here in stry, they no longer ne. We Spaniards dualists.

ody wants to work. t a good salary but do as little as pos- . They don't want more."

s of the woes of stry was quite per- neralized, extremely ut he touched on a of Spain's economic i not all of his damning. An old ghter himself in the War, and a former anarchist trade- whom he expressed ion, the Catalonian continued:

ised are responsible Even in Brazil, as a reputation for o handle. I made the union leaders n of two or three ey would stick to i very little trouble. en't well organized lon't know whom to id if you make a ihe chance that the n't be kept."

that much of the ie result of what transient circum- he confusion about is an expectable switch from the largely ineffective ns, which are being new workers' or- hich have yet to es.

do we do in the e asked. "Invest- lled back because e of the situation. wild: devaluation not only far off, visable without s to go with it. ete with foreign- ucts. Like lots of businessmen, my e in the domestic market over foreign-produced products is the price differential resulting from transportation costs."

His complaint is commonplace among businessmen in this country. It is undeniable that business is suffering while Spaniards throw off their chains. In some cases, it is just coincidence. In others, there is a relation which can be traced easily. And the suffering is due, too, to the world petroleum crisis which began to be felt before the death of the late Gen. Franco in 1975. Between the results of the political transition and the many effects of the petroleum crisis (which brought Spanish emigrant workers back home from other countries at a time of rising unemployment), the real wonder is that the Spanish economy is not in disastrous shape rather than merely bad shape.

There appears to be little chance of immediate improvement, despite a marginal upturn in industrial activity registered in the early part of this year.

For the most part, businessmen pin their hopes on the probability of a comprehensive stabilization plan which might be put into effect sometime after the general elections in June. If serious and coherent steps are then taken to combat the grave problems of the economy, and if such measures are really enforced, then change might begin to be visible as early as late next autumn. If not, not even the hefty loans which Premier Adolfo Suárez has

(Continued on Page 7.)

This Survey

Today's special report on Spain was prepared by Harry Debelius and William Chislett, with a contribution from David Haworth.

The value of the peseta was 69.17 to the dollar on Friday.

Three Men Discuss Their Country's Past, Present, Future

MADRID (IHT).—The opinions of Spaniards about the coming elections are many and varied. In order to sample some of them, correspondents preparing this section invited three Spanish professional men, none of them a politician, to a discussion of Spain's past, present and future, over a good meal and a bottle of excellent Spanish wine.

Apart from journalists Harry Debelius and William Chislett, those taking part in the conversation were, in order of their intervention, architect Jaime Martin-Artajo, nephew of a former Spanish foreign minister; Prof. Alfonso Alvarez Villar, psychologist, and publisher Eugenio Suárez, whose publications include two major national weeklies, Sabado Grafico and El Caso. Here is what they said:

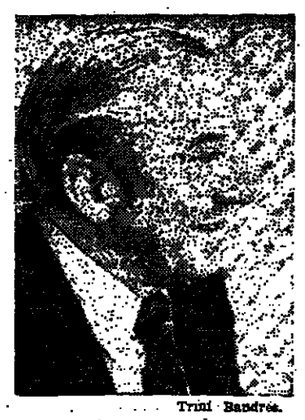
Mr. Debelius: I'm interested in the opinion of the professional men of Spain about the current political situation. For example, do you think the legalization of the Spanish Communist party was a wise move?

Mr. Martin-Artajo: Yes, I think so. It gave Spaniards a ray of hope . . . Only a minority could oppose the move.

Dr. Alvarez Villar: . . . I think even those who claim it's an unwise move really agree with it . . . There can't be any free elections unless everybody is allowed to take part, as long as they respect the rules of the game, of course . . .

Every dictator has to create myths in order to remain in power, negative myths and positive myths.

For example, if you want a rat —in this case the Spanish people —to follow a certain path through



Trini Bandres.

Eugenio Suárez, Publisher

a maze, it's necessary to place a reward on one side and an electrified screen on the other side: positive and negative myths. Hitler used the negative myths of Jews and Communism and the positive myth of the superiority of the Aryan race, and so forth. Franco also used such positive and negative myths, with Communism and Masonry on the negative side. . .

Mr. Martin-Artajo: I think we're talking about two different things here, the Communists and the Masons. I agree about the myth of Masonry, but I don't think Communism is a myth at all. . . Anyone who reads the current Marxist and Communist books can see that. . . Communism in Spain would mean the total transformation of the socio-economic structure of Spain and its people. That doesn't sound like a myth to me. . .

Dr. Alvarez Villar: But, I repeat, Franco needed to develop a series of stereotypes.

Mr. Suárez: He needed an opponent even smaller than he was.

Dr. Alvarez Villar: You might say he invented his own devil.

Mr. Suárez: The Jewish-Masonic conspiracy.

Dr. Alvarez Villar: There's a joke that tells, better than any political treatise, what went on in Spain and what is still going on to a limited extent. A man is taking an oral examination and the professor asks him who won the battle of Lepanto, and he answers, "Franco, man, Franco." "And who won the battle of Waterloo?" "Franco." And the professor says, "You know nothing aobut history." The student answers, "I think you must be a Communist."

That's what happened to the worker who disagreed with the policy of his company; it's what happened to the intellectual who refused to sing the praises of the regime . . .

Mr. Suárez: Criticism was totally eliminated because the military system by which Spain was governed brooked no criticism whatever. It was a question of its very nature—it's absurd for a soldier to be allowed to criticize the general in an army, and it was the same here, with that military power growing like a cancer as the result of its victory. In such a situation it's understandable that nobody criticized that military regime when it failed to hand over the power once its battle campaign had ended . . . A military structure remained, constantly dominating Spain, and in fact it still dominates the country.

Trini Bandres.

Jaime Martin-Artajo, Architect

Right now I think it is the army that is setting the pace; and the military men, acting according to their manuals and on the basis of the information they receive, are bringing about a liberalization. I think the enormously cautious steps which (Premier) Suárez is taking are being taken with the full agreement of the army . . .

Mr. Martin-Artajo: I accept your observation that . . . criticism was totally banned and punished in Spain because it has no place in the military establishment.

Dr. Alvarez Villar: You could also blame it on the rather peculiar church which occupied the pulpit for so many years.

Mr. Debelius: Hasn't the church always been a power in Spain?

Mr. Suárez: . . .No. I think not anymore . . .

Dr. Alvarez Villar: The church simply has the power which is given to it.

Mr. Suárez: Its power has always been a reflected power. The church hasn't had an army since the great popes stopped having empires. I think the church has certainly lost ground during the past few years in Spain . . . As the reflected power of the military, which it always was, the church influenced only the simplest people; thus its influence served to convey the wishes or promote the interests of the dominant classes. But in the past 10, 12 or 15 years, the "healthier" people, in my opinion, have been defecting from the Spanish Catholic Church, although sometimes mistakenly . . .

Mr. Chislett: But there was a curious relationship between the church and Franco, wasn't there? Except for the bishop of Bilbao, it was very rare for a bishop to criticize him directly . . .

Dr. Alvarez Villar: Well, really, when we start to pass judgment on fascists or neofascists, we tend to forget that everybody was like them in 1945. And in 1950 they were our professors of politics, our religion, our father, our big brother . . .

Mr. Suárez: No, no. I'm sorry, I don't think so. I'm older than you are. On the only side that survived the civil war, the winning side, there were Falangists and Carlists who were not at all in agreement with the integration which the fascists or neofascists have consistently stood for.

Trini Bandres.

Alfonso Alvarez Villar, Psychologist

Dr. Alvarez Villar: Those who held the reins, not only of power, but of education or of the economy, were people who were cut on the same pattern as today's neofascists. Naturally there were exceptions.

Many of those persons have undergone a metamorphosis, they have evolved, but the neofascists are like living fossils. It's like seeing a Diplodocus strolling down the Grand Via of Madrid.

Mr. Suárez: With regard to the Spanish Catholic Church, the church which has to live with Spain, the church which acts

(Continued on Page 9.)

Democratic Evolution Spurs Demand for Regional Autonomy...

MADRID (IHT).—If any proof was needed of the explosiveness of regional issues in Spain's move toward democracy, the bloody clashes between police and demonstrators in the Basque country this month, in connection with the campaign for total amnesty, should have convinced skeptics.

Spain's long struggle for unity culminated in the same year that Columbus discovered America, but unity did not wipe out Spain's marked regional differences. Nor did the iron rule under Gen. Franco or any of his predecessors.

Differences in race and language were accentuated over the centuries by the very high mountain ranges which cut up the country. By the time communications improved, the marked personality of each region remained.

While Spain's case as a country of distinct regional languages and cultural patterns is not unique in the 20th century, the regional differences do seem to be more pronounced than in many other countries, and the differences have become a matter of pride for residents of the various regions.

The Regions

The main ones are sunny Andalusia, which includes most of the agricultural southern part of the country; Aragon, in the northeast, but not quite reaching to the coast; Asturias, the tiny coal-mining region where La Pasionaria, Communist party president Dolores Ibarruri, began her political career; New and Old Castile, the central tableland with Madrid as its heart; Catalonia, where the bustling Mediterranean port of Barcelona and the tourist-favored Costa Brava lie; Extremadura, in the sun-baked west along the Portuguese border; green Galicia, the inlet-marked northwestern corner; Leon, north of Extremadura and south of Asturias, sharing part of the north central *meseta* with Old Castile; the fruit-growing region of Murcia on the southeastern cost; Valencia, "land of flowers, light and love" along the central part of the eastern coast, and the Basque region, facing the Bay of Biscay and embracing the western end of the Pyrenees.

Not all of those regions are infected by the fever of autonomy. But those which are so infected confront the government with the need for Solomonic solutions which can satisfy both the home-rulers and the powerful elements which equate national unity with centralism.

The shadow of Gen. Franco hangs over Spain in this regard. Not only did he try to achieve unity through uniformity, by stamping out even the use of languages other than the official Castilian Spanish. He also made a deathbed statement, widely quoted by the followers of the regime, calling on Spaniards to defend the unity of their country.

More Flexible

Many of his fellow military men interpet that appeal in the literal sense in which the late dictator undoubtedly meant it, while the government seems to be inclined toward a more flexible attitude and a restoration of traditional regional control over certain local matters.

In contrast with Italy or Britain, Spain's home-rule dispute is complicated by the fact that the pressure is strongest in the richest regions, the Basque country and Catalonia, which have a vast share of the country's industry and commerce. The seed of separatism was nourished, in fact, long before the Generalissimo took over, by Catalonians and Basques who felt that their regions were being taxed in order to support the rest of the country.

While most home-rule advocates have now come to realize that poor areas need investments and development in order to become rich, and that raising the living standard of a poor area also means creating a market, the seed has flourished, and it would be virtually impossible to suppress the demand for more autonomy now that the dictator is dead.

Lacking space for a review of all the regions, this section examines some of the problems of those regions in which there appears to be a need for urgent solutions.

Castile

MADRID (IHT).—Not surprisingly, Madrid, as the seat of Spain's very centralized government, is the unenviable *target of a lot of mud*. As the power base of the late Gen. Franco, the capital naturally became identified as the heart of the dictatorship.

In fact Madrid has been a centralized capital for a lot longer than the last 28 years. Philip II decided to install major government offices as near as possible to the *center of Spain* in the 16th century. He chose a village on the banks of the Manzanares and that village grew into the city of Madrid. But it was not until 1606 in the reign of Philip III that Madrid officially became Spain's capital.

Bureaucracy was later accentuated after the Napoleonic invasion when the influence of the unwieldy French system was felt.

With a population of over four million, tens of thousands of whom work in the government's 18 ministries and through whose hands all decisions have to pass, Madrid is also a busy commercial and industrial city, like Bilbao and Barcelona, as well as the banking center.

Factories

Spain's best known producer of communications equipment, Standard Electric, has its main factories and laboratories in the Madrid area. The Chrysler factory, producing cars and trucks for the domestic market and for export, is on the outskirts. The main aircraft manufacturer, CASA, has a large plant near Madrid. El Aguila, the leading beer producer, has several breweries. There are also a number of cement factories, and metalworking is an important industry. About half the major Spanish companies have their head offices in Madrid, reflecting the affinity between big business and the centralized government. INI, the state-run industrial cartel, is naturally in Madrid.

Latest figures available show that the rate of population growth in Madrid is falling off. The birth rate figure for 1975 of 19 per thousand was the lowest figure since 1959. The number of people emigrating from other parts of Spain to Madrid is also dropping. In 1974 the number was 32,665 and in 1975 69,677. On the other side of the coin, in 1975 41,000 workers left the capital for other areas compared to 51,570 in 1974.

Madrid is a rapidly expanding city with the boundaries pushed out every year into sprawling suburbs. Although Madrid is one of the country's industrial centers (producing nearly 13% of the GNP in 1976) many of the factories are beyond the city's limits. There is a trend toward situating new factories in the suburbs or in "satellite cities."

Financial Orbit

Some of these "satellite cities" like Guadalajara, which now has a thriving commercial and economic life, are in fact outside the Madrid province, but still within the city's financial and marketing orbit.

The phenomenal rise in land values in Madrid has largely contributed to the shift. Land values are frequently higher than the cost of building on the land. Even the price of a very modest and small apartment in any of the numerous working class suburbs is two million pesetas and upwards.

Madrid vies with Bilbao and Barcelona as the most expensive city in Spain. According to figures published by the Madrid Chamber of Commerce, housing and food prices in Madrid more than doubled between 1968 and 1975. These figures, however, reflect only the general picture, for in fact many items have far more than doubled.

While Madrid expands, Old and New Castile, the largest region of Spain, of which Madrid is the capital, is steadily declining. Many towns, like Avila, have only managed to double their production in 18 years. While agricultural production (most of the Castiles is agricultural land for wheat, wine and pasture) increased 137 per cent between 1955 and 1973, industry went up by 445 per cent and services 455 per cent. Agriculture has not kept pace with industry. This is immediately obvious once you drive out of Madrid. Of the poorest provinces in Spain five of them are in the Castiles.

Critics—particularly in Catalonia and the Basque country, the regions which have most suffered *from the iron hand of authority* and, although reluctant to admit it, have benefited the most economically—are quick to point the accusing finger at Madrid. They complain with some justification that the capital and its affluent upper class have become rich off the backs of the rest of Spain. In any case, the image of the "new" Madrid will be synonymous with that of the kind of Spain which emerges after the elections.

Basque

SAN SEBASTIAN (IHT).—"In the dictatorship anyone who was a Basque Nationalist was regarded as some kind of monster. Indeed children during that time were so indoctrinated that they would look to see if we had a forked tail," said a middle aged member of the Basque Nationalist party. While we were talking in Vitoria on Easter Sunday during the Aberri Eguna, the Basque National Day, riot police were firing smoke bombs and rubber bullets to prevent groups of mainly young people from gathering to demonstrate.

Thousands of police and paramilitary Civil Guards manned road checks all around the Basque country that day, sealing off Vitoria, to prevent Basque Nationalists from meeting there to take part in the demonstration for autonomy, total amnesty and political freedoms.

It was an impressive display of force by the police and a courageous mustering of strength by Basques, who braved sleet and snow in the confrontations. But more than anything else it confirmed that the Basque country is the sensitive spot in post-Franco Spain, just as it was the main trouble spot during the dictatorship.

Basques are the proudest of all Spaniards and in a way the most stubborn. While no one can agree on just how strong the autonomy movement is in the Basque country—whether it is in the hands of a hard core of extremists, whether the radicalization there will disappear after the general elections or whether indeed an overwhelming majority are in favor of some degree of autonomy—most observers do see eye-to-eye on the potentially volatile situation which exists. Most of those who have died in acts of political violence since Gen. Franco's death were killed in the Basque country.

Inevitably the dictatorship radicalized positions in the Basque country, producing Spain's only successful guerrilla organization, ETA—the Basque separatist group which has claimed responsibility for at least 18 of those deaths. The radicalization was the natural product of the repression which was and is more severe in the Basque country than anywhere else in Spain.

History

The reason for the repression being harder in the Basque country is mainly historical. During the civil war the Basque country in general took the Republican side after the Republican government granted autonomy in 1936. Interestingly the Roman Catholic Church in the Basque country, which is probably more "religious" than any other region in Spain, supported the Republican cause while most of the other clergy took the Nationalists' side.

Because of the "crusading" nature of the Nationalists' cause in "saving Christian Civilization," and also because of Gen. Franco's obsession with national unity, the Basques were the first to be beaten with the stick of authority. As in Catalonia, the local language and culture were swiftly *crushed; and the red, white* and green Ikurriña, the Basque flag, became illegal. Not surprisingly, when the old dictator died, Basques in Guernica, the old capital destroyed by Hitler's Condor Legion in 1937 and immortalized by Picasso, toasted Gen. Franco's death with champagne and honked their horns.

Since then the Suárez government has gone a considerable way toward trying to defuse the intense feelings of the Basques by legalizing their flag (a symbolic act more than anything else); allowing the Basque language to be used for some official purposes; promising to look into the economic problems and widening the amnesty for political prisoners.

When the government granted the amnesty in March, most of the remaining political prisoners were members of ETA. Many of them have been released but not those directly involved in crimes of violence. The clamor for total amnesty—to include those imprisoned for politically motivated crimes of violence—is now almost exclusively confined to the Basque country and enjoys fairly wide support there.

Threats

The issue was not made any easier by ominous threats from ETA that they would start a campaign of violence again unless the amnesty was total by the time official campaigning started. They were also demanding the recognition of all political parties and the right to demonstrate.

An ETA spokesman told the Herald Tribune that they would recommend that Basques abstain from taking part in the elections unless conditions were fulfilled. The deaths of five people in the Basque country in pro-amnesty demonstrations shortly before campaigning started raised the political temperature.

In last December's referendum there was an average abstention rate in the four Spanish Basque provinces of 37 per cent compared to the national abstention rate of 22 per cent. In Guipúzcoa and Vizcaya, the two large industrial provinces, the rate was 55 per cent and 48 per cent respectively. Apart from being a protest vote at the undemocratic conditions of the referendum (and taking into account the normal rate of abstention anyway), it also reflected the anti-Madrid-government vote. Not even in Catalonia, the other sensitive area, did the abstention rate approach those figures.

ETA says it will call a truce if its conditions are met. "The Basque people want peace and this means the achievement of a minimum number of democratic objectives which the people can use to realize their aspirations without having to resort to violence."

"Today we still have the support of a very high percentage of the people," said the ETA leader. "Even the patriotic (pro-Basque) right supports us as well as the base of the Basque Nationalist party. The people understand why we react against the repression."

Although support for independence is small, the militant feeling for autonomy does seem to be widespread. "The government in Madrid must give us autonomy if it wants to govern," said Mr. Ramon Sota, a leading young member of the Basque Nationalist party. "If the government does not, then there will be a total disrespect for it, with civil and even military resistance from the younger elements of our society who refuse to accept the status quo."

Independence

"It is utopian to expect that we shall achieve complete independence," Joseba Elosegui said. Mr. Elosegui should know, for few Basques have been more fanatical than he. In 1970 he set fire to himself and jumped off a balcony in front of Gen. Franco, shouting "Gora Euskadi Askatasuna" (Long Live the Free Basque Country). He was 16 days in a coma and several years in prison.

Industrially the Basque country, like Catalonia, carries as much economic weight as it does political with a very large proportion of Spain's chemical, paper, steel *and shipbuilding industries* concentrated into the area. Fifty-two per cent of all industry in Vizcaya and sixty per cent in Guipúzcoa is iron and steel manufacturing and metal working. There has been a consequent movement of workers to the Basque country from poor areas.

In Mondragón near Bilbao there is a thriving system of cooperatives with a combined annual turnover of $240 million and a labor force of nearly 13,000. It is proving to be so successful that the Mondragón community is growing at the rate of about four new cooperatives a year.

If Basque autonomists are elected to the next parliament, then, like their brothers in Catalonia, they can be expected to be at the least a vociferous group.

Catalonia

BARCELONA (IHT).—While militant Basques shout "Gora Euskadi" their Catalan counterparts utter "Volem L'Estatut" (Catalan for "We Want the Statute"). The 1932 statute gave Catalonia its autonomous government, the Generalitat.

With a population of over 5.5 million and the highest growth rate in Spain (Catalonia produces about 22 per cent of the country's GNP), the political and economic weight which this area carries is considerable. Many of the economic problems in Catalonia are, as in the Basque country, the natural consequences of a highly industrialised area. The political problems are synonymous with industrialization and are given their own peculiar identity by the autonomy movement.

"We don't want to win the war that we lost in 1939," said Ramon Trias Fargas, head of the liberal party Esquerra Democratica de Catalunya. "We don't want political revenge." For Mr. Trias Fargas and other "Catalanistas," Catalonia is unquestionably a nation.

Nowhere in Spain is the feeling towards joining the European Community as positive as in Catalonia. No other Spanish city is as European as Barcelona with its burgeoning and wealthy middle class.

Industry

Probably nowhere, other than in the Basque country, is the anti-Madrid feeling so strong and widespread. However Catalonia does not have the extremes of the Basque country and has no equivalent of the Basque separatist organization ETA. Indeed the separatist movement is pretty small.

With the largest port in Spain, the Seat car factory, a dominant textiles industry, chemical products, metal manufacturing, paper, printing and graphic arts, leather goods and clothing, Catalonia has the lion's share of Spanish industry. Industry in Catalonia is more geared up for EEC membership than anywhere else in Spain. Europe has long been the main market for Catalan exports and last year about 60 per cent of all exports went to the EEC countries, the European Free Trade Association and the Eastern European bloc.

This heavy concentration of industry in Catalonia has inevitably led to vast numbers of people emigrating from other, poor rural areas of Spain to Catalonia for a better life. Since 1959, which was the real take-off point for the economy after the United States started investing *in Spain, about 1.5 million people* have emigrated to Catalonia, mainly from Andalusia. Indeed so strong has been the move away from the underdeveloped, rural areas to Catalonia that it is estimated that over h the working population in lonia is non-Catalan.

Emigration

Emigration has been s falling off because of the increase in unemploymen the high density of pop in the Barcelona area. houses about a tenth of population.

The average income pe in Catalonia along with the Basque country and is as much as three time it is in the poor parts of Of course the cost of li Barcelona, in particular, is than in the areas from people emigrate.

This emigration has i unknown and important to the autonomy movement of those who have com outside to find work ha and probably will not in fully into the area. Bre butter issues are far mo portant to them than Catalan culture and ac devolution from Madrid. theless, as all alike fell the same authoritarian stic Madrid under Gen. Franco is a fraternal feeling Catalan and non-Catalan ers.

It is worth noting tha the United Socialist pa Catalonia (the Catalan C nist party) puts autonom up on its political program party is well organized, wi 25,000 militants. It sees the lan problem not really in of autonomy—although i lip-service to the idea—a straight class issue. naturally regard the part tonomy support as tactica

Autonomy

Electorally the many d pro-autonomy parties, with tian Democrats, liberals, vatives, stand to do ver Indeed as Jordi Pujol, Convergencia Democratica banker and until March ber of the opposition's ne team with the governmen "These elections are not democracy, but also to degree for autonomy."

In neighboring Valencia is a growing feeling that lonia is hogging too much limelight. Industrially gion has been boosted creation of the Ford ca last year, providing an ext jobs. Export-oriented production of 280,000 cars and 440,000 engines in f duction, the plant will co a net figure of 21 billion to Spain's balance of pa Valencianos feel that C is given too much prefer was shown in March wh Fallas festival took on a Catalan flavor. Valencia they want to be neither Madrid nor Barcelona.

Andalusi

SEVILLE (IHT).—"It's get the impression t Andalusians are the wi speak: soft and sweet. B a mistake to think so. T a tremendous amount of up resentment and fru here. Spain had bette Andalusia's problems in count, for they are Spain lems."

The speaker, sharing a platter of fried fish and of local wine with this was a "repatriate," but of Andalusia, not bec political militancy. A Sevillan who had follow traditional road to self-i ment for those born in A or the neighboring agr region of Extramadura. moved to Madrid for e and professional experien he was back in his belove ern Spain, putting his kn and experience to work region.

Andalusia's problem many and serious, and n of them reflect structu ciencies in the econor slow-changing tradition: tudes. The faults are obs the fact that the And themselves have a tend overlook even the mo problems whenever ther slightest excuse to enjo selves.

Pageantry

Holy Week procession more pageantry in Andalu anywhere else in the the Spring Fair here i and the Horse Fair in Jer of sherry wine, are worl —just to mention the t important Andalusian this time of year; bul and flamenco, the tw which characterize Spain foreigners, are typically sian.

Andalusia is Spain's region, larger and po richer than Portugal i ways. Andalusia and E dura, taken together, r about one-fourth of the l of Spain. It has been o that the south of Spai from the curse of the la the huge estate. But th simple an explanation.

(Continued on next

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..As Government Steers Flexible Course Toward National Unity

(From preceding page.)

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...alusia's capital goes ...a large extent. Much ...ey generated in this ...owers and flamenco ...tories in Catalonia. ...oric view of Anda... ...ortunately not just ...consumption. Many ...look upon their ...colorful homeland ...ntiment than sense, ...from themselves the ...f families separated ...n, lack of schools, ...investments, the ...e vast part of the ...lation which depends ...arm labor and owns

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...e of Andalusians to ...non force so far is ...o social phenomena. ...more class-conscious ...northerly parts of ..., unlike the Basque country and Catalonia, it is a region which has always considered itself an integral part of Spain, indeed the heart of the country, even if it has often felt that Madrid was not paying enough attention to its problems.

Problems

But, as the "repatriated" Andalusian said, Andalusia's problems are Spain's problems in a very direct way. Unemployment levels are higher here than anywhere else in the country. Agriculture is the main source of Andalusian income, yet agriculture has been the stepchild of the Spanish economy for many years. Public health services are deficient throughout much of the south.

Two of the major industrial establishments of the region are in grave danger of closure: the strike-ridden Acerinox steel mill, Spain's only source of supply of stainless steel, and the huge new Astilleros Españoles shipyards in Cadiz. Because of the international slump in shipbuilding, the Cadiz yards have little work and slim prospects for improvement, with order books filled in only through next year. And there are fears that the Acerinox plant may have to be taken over by the state's industrial cartel, INI, because its owners are fed up with labor disputes and would like to recover their investment (to a great extent foreign) and get out.

The Acerinox problem has a multiplying effect. Since the importation of stainless steel is prohibited for protective reasons, the shutdown of the factory, following a series of work stoppages, led to a shortage of certain types of stainless steel used by Spanish manufacturers to produce other goods. This stalled assembly lines in plants producing such items as industrial ovens and household appliances. In early April there was also a well-founded fear that the prolonged work stoppages at Acerinox might result in irreparable damage to the big and costly furnaces, since there were frequent confrontations between strikers and maintenance crews.

But, if one ingenious politician from that corner of Spain has his way, such economic headaches will disappear overnight. A prominent member of the Franco regime's vertical trade union system from the province of Cadiz once proposed that the southwest corner of Spain should not only be absolved from paying taxes; it should be subsidized.

He argued that the nuclear submarine base used by the United States at Rota represents not only an important part of Spain's foreign and defense policy; it also represents maximum danger for this corner of Spain in the event of war, because it is obviously a prime target for any enemy. He maintained that risk should be compensated with money; and he also pointed out that a large part of the coastal area in the vicinity of Gibraltar could not be developed for tourism because it was zoned for military use only; this, he claimed, represents a considerable loss of income for the province and the region, and in the same fashion the beautiful coastal site occupied by the Rota base.

A much more succinct and down-to-earth view, illustrating that Andalusia's problems are indeed those of all Sapin, is embodied in the cryptic legend of a poster of the Andalusian Socialist party (PSA) printed on the green and white horizontal bands of the Andalusian flag: "One out of every three jobless is Andalusian. One out of every two illiterates is Andalusian. Two out of every three emigrants is Andalusian."

Galicia

Between 1970 and 1975, before the oil crisis stemmed the tide of emigration to industrialized Europe, Galicia vied with Andalusia for the dubious title of the region furnishing the most emigrants; and Galicia is less than half the size of Andalusia.

The amount of disposable income per capita is well below the national average in most Galician provinces; and one Galician province, Lugo, is at the bottom of the list for all Spain.

The people of this region live mostly from agriculture and fishing, although there is some industry, including shipbuilding and car manufacturing. But on the whole, it is rural life which characterizes the region more than city life, and the Galicians feel a strong attachment to their land.

Protest

There appears to be little love in this region for *el difuntito* (the little deceased one), as Galician wags refer to the late Gen. Franco. During his 36 years of power, his native region got little attention from the central government. This is one of the reasons why the Galician separatist movement raised its head in the final years of the Generalissimo's long rule.

While it is still hardly a threat to Spain's national unity, it does form a part of the revival in Galician regional pride. Most Galicians don't doubt that they are Spaniards, but they are Galicians first, and that is equally important to them.

The Galicians are willing to put up a fight for their rights, more so than the people of many other Spanish regions. When FENOSA, an electric power company, tried to take over the lands of dozens of small farmers at As Encrobas, near here, last summer, the farmers refused to respect the public condemnation of their land and they refused to accept the paltry compensation which was offered to them. I watched as they staged an authorized march through the center of this city, which was nevertheless broken up by police. Only this spring, the Civil Guard had to carry some of them off the land, and there were several clashes in which farmers, members of their families and police were injured. The farmers are still demanding an equal amount of good farmland, with new houses, in another area, rather than mere monetary compensation; the company now seems more disposed to negotiate, perhaps in order to avoid further delays.

Issue Not Settled

Early this month four persons were injured when villagers near Corunna battled with police over the concession of mussel-fishing rights on a public beach to a large company. The villagers, accustomed to catching their *mejillones* there, felt they were being cheated out of their patrimony and they occupied the beach. The issue has not yet been settled, but it will obviously be hard for the concessionaire to fish his mussels undisturbed.

If some Basques and Catalonians cry for full independence, there are hardly any Galicians who would make the same plea.

The relative importance of the Galician home-rule movement can be inferred from the remarks of Spanish Interior Minister Rodolfo Martin Villa late this month during his visit to Lisbon to confer with his Portuguese counterpart. Mr. Martin Villa said that some legal recognition would be given to all the regions, with a special degree of autonomy for the Basque Country, Catalonia and Galicia.

Islands

MADRID (IHT).—While the Balearics and the Canaries share certain socio-economic structural problems, their history, outlook, geography and needs are different.

The Balearic Islands, and particularly Mallorca, have benefited considerably from their nearness to the rest of Europe, in the island-in-the-sun competition for tourists. That same proximity has also shortened supply lines for items not locally produced in the Balearics, thus keeping prices on certain items of normal daily consumption within reach there—and eliminating the need for duty-free shopping as in the Canary Islands.

Both archipelagos have suffered to some extent from tight centralism as an operating rule of the Spanish government, which began long before the iron rule of the late Gen. Franco. But, probably because of sheer distance, the Canaries archipelago seems to feel the pinch of centralism more.

An example of the problems which such centralism can cause is the long delay in the construction of a new, larger airport on the island of Tenerife, with better geographic and weather conditions than the frequently foggy, mountain-ringed Los Rodeos airport.

Airport

Island officials wanted to have it built a decade or more ago, but the Air Ministry dragged its feet on the proposal, claiming that there was no road network to connect the airport with population centers on the island.

In a vicious circle, the Public Works Ministry refused to build new roads to the area, since it pursues a policy of extending and improving road networks on the basis of traffic actually measured. In other words, no road could be built because there was no road—and therefore the South Airport could not be completed and put into service, in spite of the crying need.

Another stumbling block was Madrid's policy of distributing major airports sparingly, only one per zone. That policy might be perfectly justifiable with reference to the continental part of Spain, but it made much less sense with reference to a collection of islands as far from the capital as London is, and separated from each other by distances which require many hours of travel in fast modern ships.

To further complicate matters, the funds for such projects have to be allocated in Madrid, not on the island which needs them. In other words, a lack of sufficient fiscal autonomy is yet another manifestation of the iron-bound centralist system. The South Airport, incidentally, is once again abuilding, following the disastrous collision of two jumbos at Los Rodeos last March, which cost nearly 600 lives.

Distinct

Geographically the two groups of islands are quite distinct. The Balearics are certainly sun-bathed and spared from the rigors of winter of more northerly climes, but they do have seasons. The Canaries, on the other hand, enjoy a climate which offers virtually no seasonal variation; the phrase "eternal springtime" is not a mere invention of the tourist-brochure writers.

Historically the Balearics have formed an integral part of the Western world since the days of antiquity, and they never lost contact. The feet of conquerors, visitors or settlers from the days of the Phoenicians to the present have trod the golden beaches of the Balearics.

The history of the Canaries began more recently, both that of the land and that of the people. The land, in fact, is still in the making. The Canaries are of volcanic origin; and although their unique vegetation demonstrates that they arose from the sea and were possibly connected to Africa before or during the Tertiary age, they are young by geological standards.

There is a "tame" volcano on Lanzarote whose fire is used to cook fish and steaks for visitors; and the Teneguia volcano on the island of La Palma erupted—with no loss of lives—in the 1960s, enlarging the island.

While the ancients traded with and established colonies in the Balearics, the Canaries were barely more than a legendary place to them; and during the Middle Ages contact was just about lost altogether. It was not until the 15th century, when the Canaries became stepping stones for longer voyages in the Age of Discovery, that they came back into the current of European history.

With regard to the economy, the Balearics are more prosperous despite the fact that they have tended even more than the Canaries to put all their eggs in one basket: the tourist basket.

Except for the manufacture of shoes, furniture, cheese and gin on Menorca and the manufacture of artificial pearls on Mallorca, there is little which deserves the name of industry in the Balearics.

Regardless of what the tourist advertisements say, there is not much farming still being done there (with the exception of Menorca); and the local fishing industry has practically disappeared: the tons of seafood consumed by the more than three million vacationers annually are brought in not only from the Spanish mainland, but also from Ireland and other lands to the north.

The Canaries also rely heavily on tourism: but at the same time a large share of the islands' income is generated by agriculture. Canary Islands tomatoes, bananas, and tobacco—to name only the principal crops—are sent all over Europe; and Canary fruits and vegetables are in the markets when snow still covers many of the farms of Europe.

Another important source of income for these islands in the Atlantic is the fishing industry. Modern fishing fleets from Japan, the Soviet Union, Spain and other countries use the Canaries as a permanent or temporary base.

Peaceful Pressure

In spite of terrorist bombs occasionally placed by followers of Algerian-backed leftist Antonio Cubillo, head of the so-called Movement for the Self-determination and Independence of the Canary Archipelago, there is no evidence of any broad-based push toward independence there. But there is peaceful pressure for a degree of autonomy, prompted by feelings that this distant part of Spain is neglected by the Madrid bureaucracy.

In the Balearics, there is also pressure for more local control over fiscal, administrative and law-enforcement functions; but the feelings in this regard do not seem to run so deep as in the Canaries. This can partially be explained by the fact that the people of the Balearics identify closely with the nearby coastal regions of Catalonia and Valencia.

The Canaries, populated by people whose ancestors came from different parts of the far-away Spanish mainland, do not identify with nearby coastal areas which are African, nor are they able to establish a solid link in terms of tradition and custom with any single Spanish region.

Yet they consider themselves solidly Spanish, and indeed they are: The aboriginal Guanches were liquidated almost to a man by Spanish conquerors who were still mopping up at the time Christopher Columbus was putting in there for supplies on his voyage to the New World.

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Large Undecided Vote Must Decipher Wide Political Spectrum

MADRID (IHT).—The proliferation of political parties running in Spain's general elections lends credence to the popular belief that every Spaniard is his own political party. There are 6,000 candidates competing for 350 seats in the Congress of Deputies and 207 out of the 248 seats in the Senate. The other 42 Senate seats are appointed by the King.

In Madrid there are 26 electoral lists and in Barcelona 33. These are the most important parties from right to left:

—The National Alliance of July 18.

Franco diehards running in half the provinces. Formed out of the extreme right wing Fuerza Nueva of Blas Piñar, a member of the present Cortes by direct appointment of Gen. Franco, and the Spanish Falange of Raimundo Fernandez Cuesta, aged 80, a former minister of the Movement. So called as it proclaims allegiance to the principles of July 18, 1936—the date of the military uprising. This Alliance scorns political parties although it has formed one to "defend and propagate our conviction that liberalism, at least in Spain, was always antidemocratic," as Mr. Piñar has said. It will be supported by Gen. Franco's Civil War Veterans' Organization led by José Antonio Girón. The Alliance's members voted no in the December referendum on political reforms.

—The Popular Alliance.

A federation of six parties all led by ex-ministers, with Manuel Fraga, the Interior Minister in the last government, as overall boss. Neo-Francoist although professes to represent the real center in Spain.

The Alliance proposes the establishment of a democratic system along Western lines, which is regarded with skepticism given the past records of its leaders. Pro-EEC membership and NATO. Belligerently anti-Communist and authoritarian. Powerful financial backing and a potential vote catcher, particularly in rural areas. The dynamic Mr. Fraga is immensely ambitious and it remains to be seen whether he has committed political suicide or played his cards right.

—Union of the Democratic Center.

Coalition of liberal and Social Democratic parties and one Christian Democrat party. Premier Suarez threw his weight behind the Center at the last minute and will head the Congress list for Madrid. His support, which has drawn accusations of bias from especially the right, has enormously boosted the chances of the Center to win.

Mr. Suárez justified his decision by saying that he wanted to avoid polarization in the country. The Center, favorites to win, will attract many middle-class votes wanting to continue the political change started by Mr. Suárez. The exceptionally large floating vote in Spain (about a third of the electorate) will probably opt for the Center as well. Unfortunately this coalition has to a large extent become a government party, in that many high administration officials resigned to be placed on lists or were nominated by present ministers unable to run themselves. Not a very cohesive coalition, but cohesive in its allegiance to Mr. Suárez. The Center presents a moderate program.

—Christian Democrat Team.

Coalition between the parties of Prof. Joaquin Ruiz Giménez, education minister in the 1950s until he quit the regime to become a lawyer defending political cases, and Mr. José María Gil Robles jr. and the Democratic Union of Valencia. The team has regional parties in Catalonia, Galicia and the Basque country which are running on their own. There were moves for the Christian Democrats to form part of the Democratic Center, but agreement was only reached in presenting common candidates in a few provinces. The Christian Democrats are moderately left wing compared to Italy, for example, and they have the tacit support of the church.

—Socialist Unity.

Coalition between the Popular Socialist party (PSP) of Prof. Enrique Tierño Galván and the Federation of Socialist parties (regional parties like that of Andalusia). Logically these Socialists should have come together with the Spanish Workers' Socialist party of Felipe González for a united Socialist front, but no agreement was reached, with each blaming the other. Marxist program. Prof. Tierno Galván is the father figure of Spanish socialism since the civil war. Widely respected member of the opposition's negotiating committee with the government, he is also one of the few left-wing figures to have talked privately with King Juan Carlos.

—The Spanish Workers' Socialist party.

The strongest leftist party and the oldest. Founded in 1879. The party, under the youthful leadership of Mr. González, a Sevillan lawyer, insisted that all other Socialists should go under his party's banner. Mr. González is a star on the ascent and the best known opposition politician abroad. The party, which suffered the most along with the Communists under the Franco regime, enjoys the support of the Socialist International.

Dr. Mario Soares and Willy Brandt, the Portuguese and West German Socialist leaders, have done a lot of campaigning for their Spanish brothers. The Spanish party's word carries a lot of weight abroad.

It is against the U.S. bases in Spain and membership in NATO. More radical than the PSP and more insistent on the sensitive issue of whether Spain should remain a monarchy or become a republic again. Mainly young following and expected to do well in the elections.

—The Spanish Communist party.

"Eurocommunist" led by Santiago Carrillo, who returned last year from 37 years in exile. The president is "La Pasionaria," Dolores Ibarruri, aged 82, who is more identified with the Moscow line as she spent her political exile there. The party was only legalized in April and t up for lost time by a fra paign to destroy the myth of the party Either for tactical reaso of genuine desire for ch party prides itself on i most liberal Communist Western Europe. Fo 1931, the party changed l line in 1956 with the ap of Mr. Carrillo, who pro policy of "national recon

The party says it b a pluralist society. Ma in economic matters. T now displays the monar at meetings along with t Pro-monarchy providin racy is really establis Carrillo, in accordance lamb-like image of the cently recommended t members make less us clenched fist salute. unknown but could either way.

—Front for the Unity

Coalition of still illega left groups like the Rerc Communist League. Th ment refused to legaliz further left of the C party. As a result so come together ostensibl dependents.

The situation is furth plicated by agreements provinces like Madrid of candidates for the S be supported by the Con Socialists and Christian crats. In this way thes hope to ensure their pr the Senate faced with dent Senate lists by the Alliance and the D Center. The elections Senate are by a straigh ity system and for the by proportional represen

If precedents are an go by, in the last general in Feb. 1936, the Popul (coalition of the left) per cent of the vote; the Front (the right), 29 per the Center, 3 per cent. a highly complex elect tem this gave the left portionate majority in t ment with 278 seats for t lar Front, 137 for the Front and 56 for the Ce government is hoping t time the Center will be t force.

Tourism Recovering Despite Political Uncertainty

MADRID (IHT).—While Spain's political problems are far from solved, there are signs that the slump in the tourist industry, due to fears about political stability, is over.

More than 1.3 million tourists visited this country last January, nearly 11 per cent more than in the same month of 1976. During the first 15 days of that first month alone, 105,000 more foreigners came to Spain than in the same period the year before. The upsurge is no isolated statistical quirk. It appears to be part of a trend which tourist officials began to notice last September.

During the first quarter Spain played host to nearly 15 per cent more tourists than in the first quarter of 1976. The increase in March alone was more than 16 per cent. By the end of the quarter, according to official statistics, 4.1 million foreigners had come to Spain since the beginning of the year. That was an all-time record, topping the previous record figure for the same period—set in 1973—of 3.8 million.

Spain took in over $204 million in gross tourist revenue in January, which was 8 per cent more than in the same month of 1976. But the figure reflected more tourists, not more spent. The individual tourist spent slightly under $154, 2 per cent less than the average in January, 1976.

But while the tourists are beginning to come back to Spain, both the Spanish political situation and inflation have encouraged more Spaniards to travel abroad than before. Many of them are bargain-hunters, and London is currently the favorite Spanish tourist destination. Nearly 600,000 Spaniards traveled outside their country last January, a staggering 81 per cent more than in January, 1976.

By February the fever had somewhat diminished. In that month more than 453,000 Spaniards traveled abroad, 49 per cent more than in the same month the year before.

The increase in the number of foreign visitors is great news for Spain, especially following two dismal years in the tourist industry. The worst year, despite the upturn at the end, was 1976, when Spain's gross tourist income of $3.083 billion hit a four-year low.

The Minister of Information and Tourism, Andres Reguera, reviewed the situation in a televised interview broadcast nationwide from Madrid at the end of January, saying, "It's common knowledge that the political events in Spain beginning in September, 1975, were critical developments which produced a certain retraction . . . at the moment when tourist contracts were being drawn up."

Boycott

He was referring to the international reaction to the executions of four political activists in the last days of Gen. Franco's rule, followed by the uncertainties posed by the illness and death of the Generalissimo. The executions provoked a boycott of Spain as a tourist destination by trade unions in Sweden and Finland, and recommendations by politicians in other European countries against spending vacations in Spain. The boycotts remained in force for a year or more.

In a televised interview, the minister explained, "This retraction was evident throughout the early months (of 1976); but as our client who, I insist, is fundamentally European, began feeling safer, and as the unknown factors in the Spanish political situation began to diminish, the tourists returned; he felt assured that things were going smoothly enough to suit him. And above all in the last trimester there was this spectacular increase of 25 per cent which matched the record for tourist growth set in the final trimester of 1973."

The return of tourists to Spain in great numbers is necessary, he claimed, because "mass tourism is what the (Spanish) touristic offer calls for and what it is geared for.

"At this moment we have 2,500,000 tourist beds on record, without taking into account those apartments which are not listed with the ministry and which are put to a variety of uses. Naturally, if we consider that the average stay of a tourist might be 10 days, we would need a much greater number of tourists than the 30 million who came last year, if we are to reach full occupancy. . .

'Great Miracle'

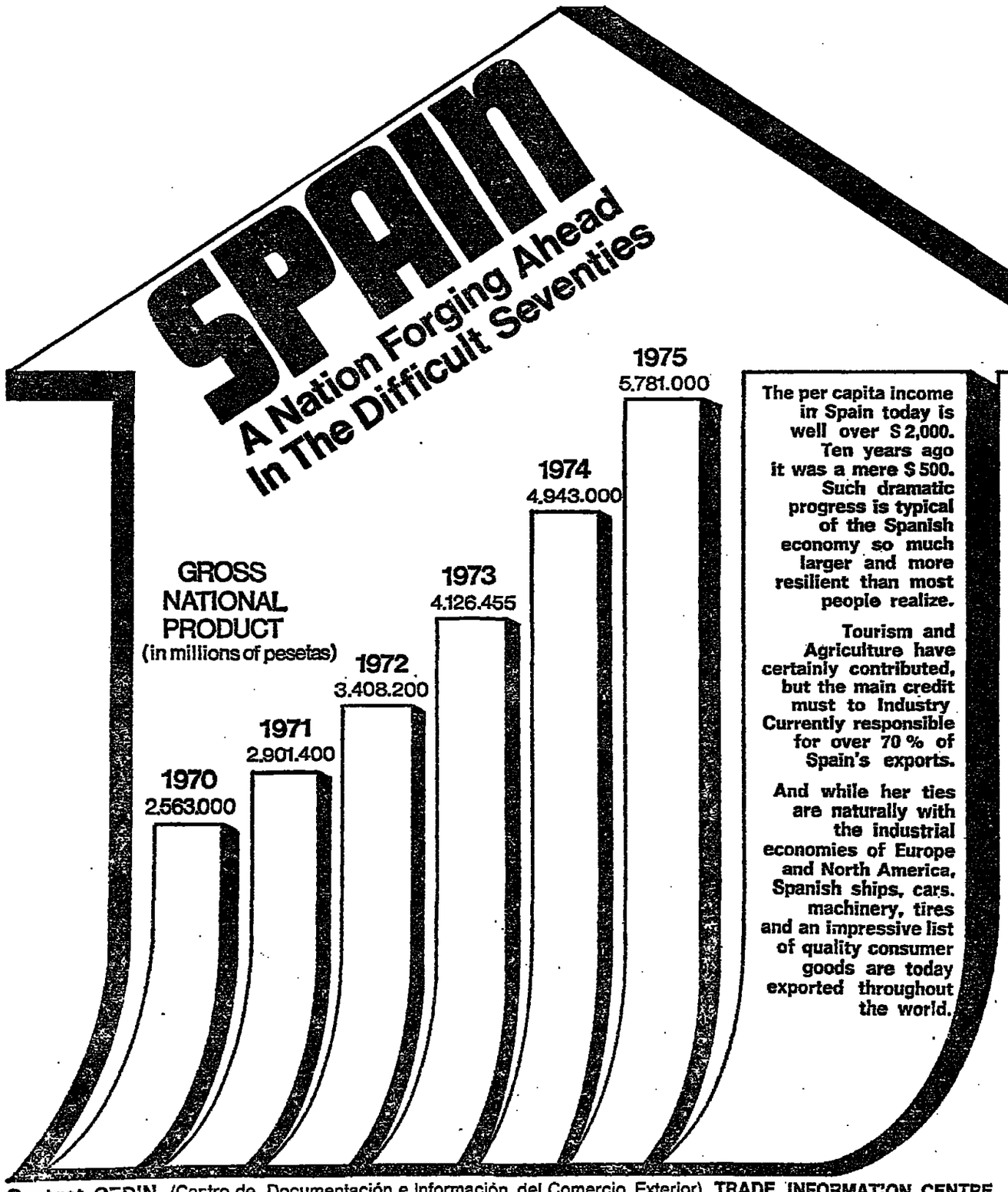
"A few figures will suffice to reflect the importance of the tourist offer: for instance Egypt, a major tourist country, has only half as many tourist beds as the province of Malaga; Portugal, another major tourist country, has 25 per cent fewer beds than Benidorm; Greece, yet another important country, has 25 per cent fewer beds than the Balearic Islands. Naturally, with a tourist offer of this dimension, we need mass tourism. This mass tourism is what worked the great miracle of the Spanish balance of payments, with such spectacular results, for example, as those of 1975, when tourist income represented 44 per cent of all exports (visible and invisible). And it is probably even more significant to point out that during that year the income of 195 billion pesetas from tourism was more than that resulting from export sales of cooking oil, shoes, vegetable products —except for citrus fruits—iron and steel and trasportation equipment—more than all those things combined much more . . ."

Discussing future prospects, the minister said, "I wish I had a crystal ball so I could say what 1977 will be like; nevertheless, I will venture to make a guess, as I did last July, about what the second semester was going to be like and which turned out to be pretty close. I think the tourist outlook is very good for 1977. In the first place, all the doubts, all the uncertainties, all the attitudes of concern about the Spanish political situation which existed in Europe have been completely dispelled.

Mr. Reguera wound up the interview with a reference to efforts on the part of the Ministry of Information and Tourism to diversify the tourist offer:

"We are giving up the single universal technique of promotion for all countries, in favor of more specific techniques, trying to find out in each of the countries that might send us tourists what their preferences are, what they like and what we have to offer them. That is, it is coherent to offer sunshine and beaches to a man in a Nordic country who does not normally have the chance to enjoy this sun. It is not coherent to try to sell sun and beaches in the United States, when it is much easier for an American to enjoy the sun and sand of Miami, of Acapulco or of the Caribbean. But we can offer that American tourist monumental cities; we can offer him museums; we can offer him good sports facilities; we can offer him the kind of hunting and fishing that he might not have there."

SPAIN
A Nation Forging Ahead In The Difficult Seventies



The per capita income in Spain today is well over $ 2,000. Ten years ago it was a mere $ 500. Such dramatic progress is typical of the Spanish economy so much larger and more resilient than most people realize.

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Birth of Legalized Unions Brings Squabbles, Lack of Direction

IT'.—The legaliza- pain's main trade dl ended the 38- ' of the state-run rnerstone of the . but how free the d unions will be seen.

Union of Workers ade union wing of Workers Socialist munist-dominated missions (CCOO) pendent Syndical (USO) tested their l emotive freedom y defying the gov- rise ban on meet- *ations between the* , who in the main ully, and riot po- most violent since :, auguring badly

legalization came epted the govern- ' with the estab- registry in the *Sindicatos* (state- ons). The law, pproved by Gen. *parliament* before is democratically y "the first step ide union reform," *tos minister*, En- Mata, aptly con-

the Line

st National Con- Workers hesitated g to go through nment's procedure. decided to toe the

1940 on the pattern corporations and Gen. Franco's Civil ," the *Sindicatos* e workers, estecu- loyers *in state-run*

Now under the ws law, "workers can form in each tivity, at local or professional asso- n they see fit to espective interests." are over 125 legal- t national and re- nd including work- employers' organi- situation is as con- e proliferation of es.

iously worded law, but probably deliberately so; *otherwise the reformist govern-* ment of Adolfo Suárez would probably not have got the bill through the Cortes, packed as it was with deputies owing their allegiance to the old regime and with only 150 of the 560 deputies representing the *Sindicatos*.

While independent trade unions are now recognized, the Syndical Organization, the vast bureaucratic organization which employs over 30,000 people, continues. The *organization extracts dues* from workers' pay packets (as well as from employers) and militant workers now demand that some of this patrimony be returned to them.

Sindicatos officials are worried about their future. Their jobs are becoming increasingly irrelevant given the recognition of other trade unions. This issue is likely to be a conflictive one, for if the official system continues to exist alongside the other unions—or is given a face-lift—then this will not say much for trade union freedom. It will be a long-term problem with the eventual incorporation of many officials into other ministries and possible creation of a different form of *trade union ministry*. Of course this also depends on how well organized the other trade unions become.

Also the relationship between political parties and trade unions is not clear, nor what bargaining rights they will have with employers. Gen. Franco's state-run system was part and parcel of his political one, with the National Movement as the only legal political organization. The movement was disbanded in April, but the Syndical Organization still exists and is likely to do so for a much longer time, although *superficial changes might* be made, like getting rid of the post of minister for the *Sindicatos*.

The political squabbles between the four trade unions, which for obvious reasons never came to the surface in the dictatorship, are now revealing themselves to be as virulent as those going on in the legion of political parties. It was natural that under Gen. Franco worker resistance to his totalitarian regime was basically united, as all had a common enemy and objective in replacing the dictatorship with democracy. Now that Gen. Franco has been *dead 17 months*, political divisions have widened.

The Coordination of Syndical Organizations (COS), formed out of the CCOO, UGT and USO, is now almost defunct after being in existence for less than a year. Nicolas Redondo, the secretary general of the UGT, withdrew in late March because of the widely differing views. For all the talk about the need for unity on the labor front, with hardly a *week passing without at least one* trade union leader calling for unity, in reality it is a long way off.

The fact is that the tactics and *politics of the CCOO, UGT and* USO are far apart. The CCOO is mainly controlled by the Spanish Communist party, although it claims to be non-partisan. This claim is taken lightly, as no less than 20 of the 27 members of the executive committee are known to be card-carrying members of the Spanish Communist party; and some, like Mr. Camacho, are also on the party's central committee.

The CCOO reckoned to have 172,360 members by mid-March. The UGT, formed in 1888 and so by far the oldest of the trade unions, is the trade union wing of the Spanish Workers' Socialist party (PSOE). It has 120,000 members. The USO, with 60,000 members, is not affiliated to any *particular party* although it is inclining towards the Socialist ones.

The CCOO in particular managed to infiltrate the official system under Gen. Franco, and many of its members were elected to minor posts. The UGT and a fourth union, the anarchist *National Confederation of Labor* (CNT), are insisting that these CCOO members and USO ones resign from their posts in the state-run system, as they want fresh—unofficial—elections to be held. This reluctance by the CCOO and the USO to abandon their posts is partly the cause of the rift in the COS, along with personality clashes of the type that seem to be a characteristic of Spanish politics.

Free Elections

The CCOO and the USO argue that to resign now from posts in the *state-run system* would create a "vacuum." They say that their presence within the official system serves to counter the attempts being made to create a neo-official system. The UGT argues that it is impossible to get rid of the official system unless people do resign from posts. The CCOO and the USO appear to be willing to resign if there are completely free elections. This is another problem which will have to be sorted out, for unless the system is changed the next elections will be in 1983. The last ones were held in 1975 and most probably a new date will be set by the next parliament.

UGT members see the CCOO as a maneuver by the Spanish Communist party to gain control of the trade unions.

On the other hand, as the CCOO rightly points out, members of the mainstream Socialist party, PSOE who belong to a trade union, have to belong to the UGT.

One of the most interesting phenomena in the Spanish trade union movement to have resurrected itself since Gen. Franco's death has been the anarchist CNT. Of all the trade unions, the *CNT, founded in 1911 in Catalonia*, was historically the strongest, with two million members by the time the Civil War began in 1936.

This fascination for anarchism is again starting up. The first authorized meeting since the Civil War was held late in March when 20,000 people packed into a small bullring in a Madrid suburb. There were old militants from the Civil War and a great majority of students listening to speeches calling for a libertarian society. The CNT does not believe in parliamentary democracy and *so will not take part in the elections*.

Undecided

Even adding in the 35,000 CNT members, this only gives a total of some 387,000 people belonging to *the four leading trade unions*. (The figure does not take into account the various regional unions.) With a total labor force in Spain of 13.5 million it can be seen that the great majority of people are undecided as to what trade union to join. In conservative circles the understandable fear is that the Marxist-orientated trade unions, basically all of them, will cash in on this uncertainty and start flexing *their dormant political* muscles.

The Minister of Work, Alvaro Rengifo, strongly attacked last March those trade unions which follow the Marxist line. He said that their demands were "utopian" and they were trying to sow *the seeds of discontent among* workers because of the worsening state of the economy and to convert them politically. He complained that "the voice of the average worker is still not heard." But given the fact that a small percentage of the labor force actively participates in the trade unions, this is a process requiring time and general political freedom. When it comes to striking, the unions do have a lot of pull.

A decree passed in March recognized the right to strike. This law took the place of one passed in May 1975 which made striking virtually impossible as so many conditions had to be fulfilled. While still not as free as in most other Western European countries, it does allow strikes with five days notice to employers (ten for those in public services) and after a majority has decided by secret ballot to take action. Political and solidarity strikes are still illegal.

Strikes

The total number of strikes last year was 1,568—the most ever in Spain—compared to 331 in 1975. It was the first year after Gen. Franco's death, The lid was off, and most of the strikes occurred in the first three months, when more workers went on strike than in the whole of 1975.

Just as the political map in Spain will not be clearly defined probably until the country's second elections, so the trade union situation has a long way to go before a clear direction will be seen. The official system may well be given a democratic face-lift and exist along with the others.

One issue is certain: employers will be a lot more united in their negotiations with workers than workers will be among themselves, unless there are fundamental agreements between the different unions.

Much Change Is Seen Under Suárez Rule

(Continued from Page 1.)

terhooks for six weeks as rumors of who was behind the action reached mind-boggling proportions and the death by machine gun of five Communist lawyers in Madrid heightened the tension.

In the end the urban guerrilla group GRAPO (the First of October Anti-Fascist Resistance Group) was caught and claimed responsibility, leaving many questions unanswered in a strange affair which many thought would slow down the democratic process.

Mr. Suárez was confronted with problems on all fronts. The opposition's patience after the referendum was by now wearing thin after a year of further harassment and virtually no dialogue with the government except in private contacts. The inclusion of Mr. Carrillo in the opposition's negotiating team posed yet another dilemma. Mr. Suárez chose the middle path: opening *the sacred doors of his office to* all but Mr. Carrillo, who accepted the decision like a lamb. It was an important step, as much symbolic *as anything*, for it was official recognition that at least the opposition existed.

The issues on the negotiating team's agenda were the release of political prisoners, the legalization of all political parties and the question of regional autonomy. There was also the drafting of the electoral law.

The first important step which Mr. Suárez took after he became Premier was to grant an amnesty, but it was not very wide, and it left in prison several hundred prisoners. *This "amnesty" silenced* to some extent the pro-amnesty demonstrations; but, particularly in the Basque country, *they soon gathered strength again* in the new year.

Most of the remaining prisoners were members of the *Basque separatist organization* ETA, some of them involved in politically motivated crimes of violence. The government made contact with ETA to try to get them to agree to a truce in return for the release of some of their members, but ETA insisted on a total amnesty before any deal. The opposition argued that a total amnesty was necessary in order to start afresh and forget the past, but Mr. Suárez was not prepared to risk rattling the sabers of the conservative military by releasing those convicted or awaiting trial for crimes of *violence*.

In March the government widened its amnesty, which has seen the release of most of the *estimated 200 remaining political* prisoners.

On the legalization of all political parties, an issue—like amnesty—which is still not solved, Mr. Suárez showed flexibility, but would go no further than allowing the Socialists. In February he scrapped the old Arias system of legalizing political parties and substituted it with a simpler system involving legalization soon after a party presented its statutes in the Interior Ministry. The cases of dubious parties like the *Communists* were forwarded to the Supreme Court. The government thought that it had got itself off the hook by referring *sensitive cases to the courts*, but magistrates did not take kindly to being drawn into political decisions, and they sent the issue back to the government.

With the ball back in his court, Mr. Suárez weighed up the pros and cons of legalizing the Communists and decided, while millions of Spaniards were enjoying Easter weekend, to legalize the party. Coming only a week after he disbanded the National Movement on the 38th anniversary of Gen. Franco's Civil War victory, the move was the final straw for the right.

The Movement had monopolized political life since the war. With an annual budget from the state of over $120 million, 8,000 *delegations scattered throughout* the country, and a vast bureaucratic organization, the Movement was indeed powerful and its continued existence a threat to the viability of the elections.

Not only had Mr. Suárez the audacity to disband the Movement, brainchild of Gen. Franco, but he apparently took the decision on the Communists without consulting with the military ministers, although the liberal military Vice-Premier, Lt. Gen. Manuel Gutierrez Mellado, knew of the decision. The legalization provoked a harsh rebuke from generals, who agreed after meeting into the early hours to accept the decision with a "certain revulsion" and "for the sake of patriotism." The Navy Minister, Adm. Gabriel Pita da Veiga, *resigned, claiming that the first he* knew about the decision was when he heard it on television.

It was the most serious crisis *of the last six months, disproving*, if any proof were really needed, the myth that the armed forces were not involved in politics. For the old Francoist generals, Communism—public enemy No. One—which they had defeated in the Civil War, was now back with them. Mr. Suárez weathered the storm well, waiting until the dust was settled before making a televised speech, remarkable because for the first time in many years a Spanish premier explained his reasons for taking an important decision. He said he had taken the decision because "it *is not* good in politics to close your eyes to what exists." It was a realistic approach.

The last six months have in *relative terms seen helter-skelter* changes. To the government's credit the changes have occurred without too much upheaval although the political violence, particularly in the Basque country, is a worrying factor. Gen. Franco said some time before he died that "all is tied up, well tied up." But many knots have been loosened if not completely untied.

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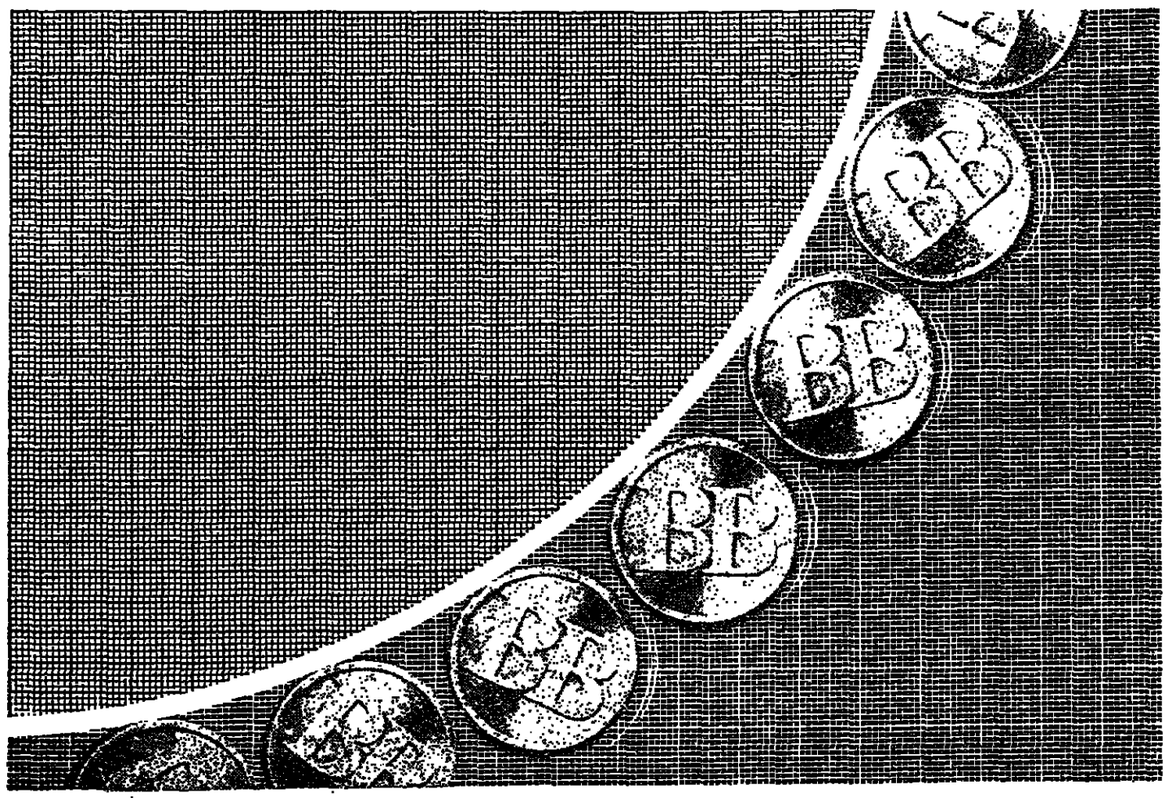

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Industrial and Agricultural Strengths Complicate EEC Candida

By David Haworth

BRUSSELS (IHT).—It is taken for granted here that, following the further enlargement of the European Economic community with Greece and Portugal being taken into membership, Spain will also join the Common Market. It is equally taken for granted that the negotiations with the Spanish will be prolonged and arduous: Of the three potential new EEC members, Spain represents much the most formidable problem—not through weakness but because of its actual and growing industrial and agricultural strength.

Since Gen. Franco's death the European Commission has assumed that, barring violent revolution, the Spanish would one day want to realize what the Madrid government has described as the nation's "European vocation" by becoming a community member. There is also the distinct though related possibility that Spain may join NATO—a development for which the United States in particular has been pressing behind the scenes. This, too, would be part of that vocation, given that the country is already much less isolationist than it was and seems determined to establish, however slowly, what EEC officials often refer to as its "democratic credentials."

But there are no illusions that Spain has still a long way to go before critics in EEC capitals will be satisfied. "There has been a suspension of hostile comment by EEC member governments about what is happening in Spain," a senior EEC official says. "But no one should believe that this unofficial truce will last much longer. Because of the country's history, its size, and economic power, Spain can expect to undergo a much more rigorous examination by the EEC than it seems prepared to give either Greece or Portugal."

The argument goes that in a pinch the Portuguese and Greeks can be allowed into the community without too much economic damage to the existing members if by the time they are ready to join, the recession is alleviated, if not over. But this cannot be said of Spain, the impact of whose membership would put immediate pressure on the two crucial areas of EEC industry and agriculture.

Long-Standing

Spanish ambition to join the EEC is not the result of Gen. Franco's demise. It has been a long-standing intention whose genesis was in the unsuccessful application in 1962 by the Spanish for an Associate status similar to the kind granted to Greece and, later to Malta, Turkey and Cyprus. Although unsuccessful, it put the EEC on notice of Spain's ultimate ambitions. Five years later negotiations between Madrid and Brussels were opened for a preferential trade agreement, a deal which was signed in 1970. Its purpose was to establish a progressive elimination of trade barriers between Spain and the community, but not a customs union explicit in an Association Agreement. However, following Gen. Franco's death in November, 1975, the tone of the community and Spain improved considerably. The following February the Spanish Foreign Affairs Minister visited the Common Market capital to hold talks with the then Commission president, Mr. François-Xavier Ortoli. It was on this occasion that the Spanish unequivocally announced their intention to make an eventual membership application.

EEC officials assume Spain will make a formal application for membership in the fall of this year, probably in October. Private discussion with Spanish diplomats confirms this impression. It will then be the EEC's task to prepare an "opinion" about such an application, a task which will hardly take less than a year, and then the entry negotiations will begin in earnest. The best guess by Commission officials is that Spain will join the EEC between 1982 and 1983. This timetable could be delayed, but it will not be speeded up. Because of Greece and Portugal, the EEC has a natural interest in delaying for as long as politically possible getting to grips with the problems of Spanish membership. Certainly long before that the Commission will have to have formulated an enlargement strategy which will suggest ways in which the EEC institutions can be adapted for a Common Market of twelve.

The Nub

For this reason community industrialists are on the whole keen that Spain should join the EEC as soon as possible and thereby be brought under the authority of the EEC's rules of competition which would prevent "unfair" undercutting by the Spanish. On the other hand, EEC farmers have an interest in seeing Spanish membership delayed as long as possible. They are in no doubt that the EEC's common agriculture policy would have to be reformed considerably to accommodate Spain—a process which could be uncomfortable for the farming community throughout the EEC. For their part—and this will be the nub of the entry negotiations—the Spanish want to protect their still comparatively young industries and continue with their agricultural exports. In essence the EEC will want neither of these Spanish objectives.

Unlike the negotiations with Portugal and Greece—which, it is accepted here, are doomed to succeed—this same imperative is not taken for granted in Spain's case. No one can predict the outcome of what will be tough negotiations with Madrid, but the EEC at least considers there is a possibility they might fail. Indeed, the prospect of entry talks with Spain has hardened the EEC's attitude towards the Portuguese and Greeks. EEC officials are determined that those negotiations should not set any precedents on which the Spanish could rely and exploit when their turn comes.

It can be seen that the EEC fears Spanish economic strength, but it is also equally anxious about Spanish weaknesses. There is the agricultural and industrial competition which Spain could mount (the nation ranks eighth in the West's industrial league table), yet there is also the prospect of having to deal with a common agricultural policy which has a decisively Mediterranean bias with all that that implies in terms of over-production of wine, olive oil and fruit, plus the heavy drain on the EEC's social and regional funds which Spain will cause. Both these issues pose the unwelcome question of whether the EEC is really capable of further enlargement. Might it not become little more than a free trade area with a few political trimmings like the European Parliament? Undoubtedly the nature of the community will change; will it alter destructively or creatively? No one knows, but the dangers are self-evident.

Gloomy

A gloomy interpretation of them has been provided by the United Nations Economic Commission for Europe, which in a recent report concludes that the Southern European nations—Greece, Portugal and Spain—have not had "entirely satisfactory" economic results. The study cites exports to industrialized Western European countries of manufactured products from Spain and Portugal, comparing them with exports from countries in competition with them, notably the developing nations. It comes to the conclusion that the latter are developing their exports more rapidly than southern Europe. In addition, they are making up for their backwardness compared to southern Europe through the qualitative composition of their exports. In short, the UN Commission feels that a sustained upswing in Spain, Greece and Portugal of the kind which occurred with some regularity in the post-war years may not be seen again until at least the end of the decade. It concludes that the economic climate in those countries has changed in such a way that it is now more difficult to achieve —simultaneously—rapid growth, low unemployment and stable prices.

This is an unfortunate backdrop for the enlargement negotiations. Certainly it strengthens the hands of those—in Italy and Ireland especially—who already insist that the community must not pay any price for increasing its membership and that there must be a continued and even greater transfer of resources from the richer to the poorer members. The prospect of Spanish EEC membership inevitably puts such questions into focus. So far there has been no indication from Madrid about how the Spanish themselves view these questions. At the moment the Spanish government : ed with establishin faith in relation to nity. It has not gi cific indications of v mands will be once tions get under way.

The attitude of the community, especially in government, also p of question marks ov tiations with Spain. is generally accepted words of the Britis James Callaghan, "S down the road towar ist democracy," attit harden once it becom problematic it will b the Spanish into the not be easy to maintai tion between politica nomic issues when the rough. The politica Spain in joining the E vious, but it must be that they are less ei the community, and i terms Spanish memb be—at best—a mixed both parties, accordi officials. If this seen assessment for the e Spanish, it at least has of being a realistic o

NATO: Members, Government Weigh Merits of Alliance

MADRID (IHT).—The question of whether Spain will become a member of NATO is, like so many other important issues in post-Franco Spain, markedly unclear. The Suárez government has no official policy over the matter and, like the issue of Spain's membership in the EEC, it will be kept in aberance until the democratically elected parliament takes a decision.

The NATO question is a politically sensitive subject and the government, while generally believed to be in favor of Spain's membership, has preferred to shelve the matter while at the same time keeping all options open. NATO members are unwilling to discuss Spain's supposed interest in joining until, when, and if the democratic process is consolidated. The Spanish government is aware that to clearly pronounce in favor or against joining would be to invite criticism from the country's emerging political forces. The mood of the country towards NATO and vice versa will not really be known until the political coloring of the next government is clear.

What happens in the Iberian Peninsula and especially Spain is important to the West. Now that Spain is shrugging off the vestiges of the old regime her role in the western Mediterranean is a vital one in maintaining a proper balance of forces to counter the increasing Soviet influence. The Soviet Union knows this and is worried by the prospect of Spain's presence in NATO.

NATO's gap in the western Mediterranean, created by the withdrawal of France from full participation in the defensive system, has been exploited by the Soviet Union, whose fleet has increased its activities in that area. France previously supplied the command structure with the Western Mediterranean commander under the Allied Naval Forces Southern Europe in Naples. As a report presented to the Assembly of Western European Union two weeks before Gen. Franco died by Julian Critchley, a British Conservative M.P., stressed: "The Spanish Navy could undoubtedly make a valuable contribution to the NATO naval forces available in the western Mediterranean."

'Key Defense Point'

Mr. Manuel Fraga, the former interior minister and now head of Spain's most powerful center-right grouping, the Popular Alliance, said a few months before Gen. Franco died: "I think it is generally agreed that the Iberian Peninsula is a key point in the defense of Europe and of the northern and southern Atlantic and it is obvious that were the peninsula to lend its support to the Eastern bloc (most improbable!) the Mediterranean could be closed and the entire defensive system of central Europe placed in serious jeopardy . . . My government's point of view is quite clear: Spain ought to be either in or out of the Western defensive system."

Mr. Fraga said in February that Spain must become a NATO member in order to protect the organization's southern flank—"a role that does not please the Soviet Union or its faithful servant, the Spanish Communist party."

As long as Gen. Franco was in charge of Spain, the position of the NATO bloc as a whole was clear—no deal until the totalitarian regime was finished and a pluralist democracy established. Admiral Stansfield Turner, former commander in chief, Allied Forces Southern Europe, voiced most members' aspirations when he said a month before the dictator died (November 1975) that Spain's presence in NATO would be a "big help"—her naval forces would be particularly appreciated to fill the Mediterranean gap.

Spain maintains large armed forces compared to the size of the population and its limited garrisons overseas. The armed forces total is 302,000, according to latest available figures, largely conscripts serving for 18 months. The army numbers 220,000; the navy only 47,000 and the air force 34,000.

New Ministry

Each branch of the armed forces has its own ministry, but this is scheduled to be reformed. Lt. Gen. Manuel Gutierrez Mellado, the military vice-premier, has said that a Defense Ministry will be created, but not in the immediate future. This forms part of a much broader military reform plan, which has slowly been taking place since the dictator died. It is designed to bring the structure and the role of the armed forces into line with other Western European countries; making them more professional and less politicized.

Along with these changes is the move to update equipment. Spain relies heavily on the United States for tanks, aircraft and air defense. France and Spain have collaborated in making AMX30 tanks near Seville and "Daphne" submarines in Cartagena for some years. Contracts were recently signed for the two countries to work together on "Milan" anti-tank and anti-aircraft missiles. Spain acquired the last of 30 mirage 111 and 24 Mirage F1 planes at the end of 1976.

Spanish defense policy has been based mainly on the defense agreements with the United States since 1953. The agreement which now has treaty status instead of a bilateral relation was renewed in January 1976, authorizing the United States to continue to use military bases in Spain until 1981.

The U.S. bases agreement means that Spain has indirect links with NATO through the United States-Spanish joint defense committee to which the commander of the U.S. forces in Europe acts as military adviser. Spain also has defense links with France through a protocol of collaboration which involves joint exercises. It is probable that the bases agreement would have to be renegotiated if Spain joined NATO.

Disadvantages

While NATO countries would like to see Spain as a member, they are aware of the political disadvantages of associating too closely with Spain befo racy is really establish would have the effect mining public confi NATO in the member and probably turn emer ocratic public opinion against the alliance.

Ironically, while NA tries become worried future of the Iberian Spain has reestablished lomatic relations with ern bloc. Relations wit viet Union, Hungary, vakia, Romania, Polan slavia and Bulgaria, se ter the civil war, have established, showing Spain has come out of phobic isolation behind nees since Gen. Franco

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Relations were establis Mexico in late March years. The move came a Mexican government as no longer recognize the a of the Republican goverr exile in Mexico. More will be an exchange of sadors with Israel bec pressure from the Ara tries, whose favor Spain to court because of her oil.

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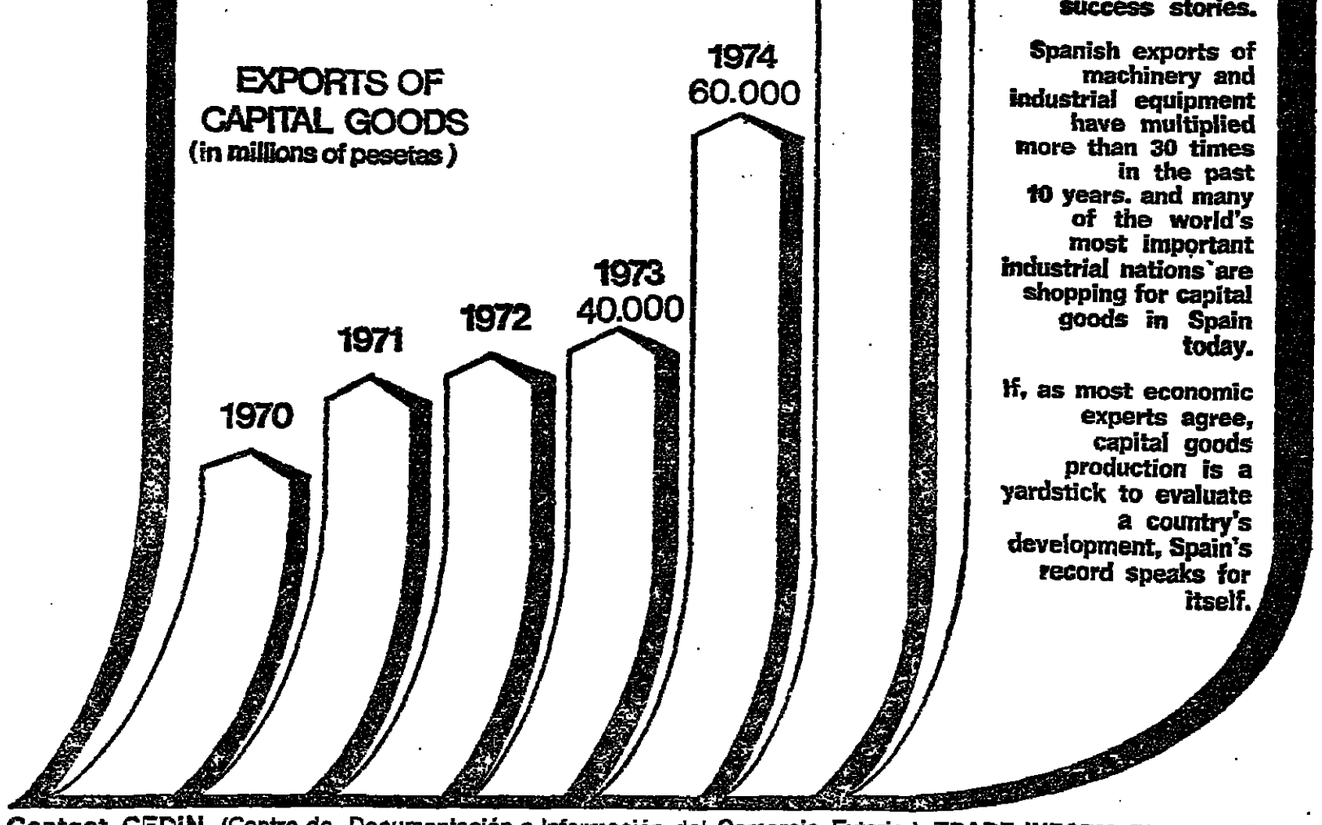
SPAIN
A Nation Forging Ahead In The Difficult Seventies



In spite of intense international competition, it is in the development and manufacture of capital goods that Spanish industry has chalked up one of its greatest success stories.

Spanish exports of machinery and industrial equipment have multiplied more than 30 times in the past 10 years, and many of the world's most important industrial nations are shopping for capital goods in Spain today.

If, as most economic experts agree, capital goods production is a yardstick to evaluate a country's development, Spain's record speaks for itself.

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The chances of working out a social pact are directly related to the political situation. The newly legalized trade unions, in their anxiety to show that they are better for the workers than the old vertical state-run unions, are aggressive in their demands and they are prone to make grandstand plays in the effort to recruit more members, even in cases in which their leaders realize that the situation in a given factory or industry seriously limits the concessions which management can grant.

Influences from abroad do not offer a very bright picture either. With many countries taking measures to reduce imports in order to be able to pay their fuel bills, and with Spain's trade deficit already immense, and with inflation undermining Spain's competitive position, Spanish manufacturers and exporters will have to make a gargantuan effort indeed if they are to meet the government's goal of holding down the increase in imports to not more than 3 per cent in real terms while increasing the gross industrial product by nearly 4 per cent. The difficulty is more evident after a glance at last year's figures: imports rose by 5 per cent while the gross industrial product rose by only 2 per cent.

Considered sector by sector, the industrial panorama shows mixed reactions, although the overall tendency is not encouraging. Electric power production increased in January by more than eight billion kw, compared with January, 1976, while in the same month the consumption of petroleum products decreased by nearly 3 per cent compared with January, 1976. On the surface these figures might suggest a turn for the better as well as a sign of recovery. But the figures do not tell the whole story.

Energy

In fact the decrease in fuel consumption was nothing more than an accident. The year 1976 was a wet one, following several years of drought, and Spain's reservoirs began filling up. They are still full. As a result, more hydroelectric power is being produced than in previous years. Coal or oil-fueled generator stations produced 47 per cent less electricity this past January than they did in January, 1976, and nuclear power centers produced 22 per cent less.

So the fuel saving was a gift of nature, and no thanks to the Spanish people. As a matter of fact, while the full reservoirs indirectly reduced the consumption of fuel oil and liquefied gases last January, the month's consumption of diesel fuel rose by nearly 26 per cent and that of gasoline by over 3 per cent. The oil crisis may be hurting business; but the average Spaniard shows no sign of economizing on gasoline, even with the cost of 96-octane at 31 pesetas (46 U.S. cents) a liter.

The future does not look terribly bright for the iron and steel industry, notwithstanding the fact that last year turned out to be better than expected. The 911,000 tons produced last February were 45,000 tons less than in January. The bubble of optimism which swelled in January, on the basis of 14 per cent more production than during the same month of the previous year, has burst.

Pinning Their Hopes

On the whole, the output remains inferior to that of 1974, the year when the petroleum squeeze first began to be felt; and Spain's steel production capacity has been infra-utilized ever since then. Economic planners here are pinning their hopes on a reactivation or continuing climb of the West German, American and Japanese economies, which would ideally lead to enough sales abroad to maintain current production levels at least.

However, 1976 was a reasonably good year for the automobile industry in Spain, in spite of the recession. Sales topped even those of the record year of 1973, and so did exports of motor vehicles and automotive parts. This bright trend continued through last January, a month in which 92,124 units were produced. The biggest increases in the sector were in the production of industrial vehicles (up nearly 178 per cent in January compared with the same month last year) and buses (up nearly 138 per cent in January compared with the same month in 1976). Spain moved into tenth place among the world's producers of motor vehicles in 1976, according to a study made by the Frankfurter Allgemeine Zeitung.

Construction is in the doldrums, and there is no sign of short-range improvement, but 1976 was a better year for construction than 1975. During the past year the building industry did 16 per cent more business than in the previous year, which—according to the Bank of Vizcaya—means that the real gain was less than one per cent in terms of constant pesetas. But even that was a boon, following a loss of more than 4 per cent in volume in 1975.

Economic forecasters say that building costs will rise by as much as 19 per cent in Spain this year (three points more than last year), considering the higher cost of labor and materials.

Bright Spot

There is one bright spot in the construction industry: the government has promised to speed up payment of back debts for public works.

Spain's small but firmly established aviation industry is expected to continue to grow despite the harsh economic climate. The biggest Spanish aircraft manufacturer is Construcciones Aeronauticas S.A. (CASA), a company in which private capital shares ownership with INI (National Institution for Industry), the state-run industrial cartel. CASA's future is assured primarily because one of its major activities is the repair and overhaul of the U.S. Air Force planes in Europe. The company also manufactures the Northrop F-5 short-range fighter, as well as Spanish-designed aircraft like the C-212 Aviocar, a propeller-driven light cargo plane with short-take-off-and-landing characteristics.

Spain has sold 122 units of this plane so far, all of them outside the European Economic Community. One of the latest sales was to Nicaragua, which bought five, complete with pertinent equipment and spare parts, for $8 million. The Nicaraguan government intends to use the planes to help promote social and economic development in poorly-communicated zones of the country. Other buyers are Indonesia, Portugal and Jordan. And of course the Spanish armed forces use the Aviocar.

Another CASA product, the C-101 trainer and assault plane, is almost ready to be marketed.

Spain's aircraft industry also has direct ties with Europe, including Spanish participation in building the European Airbus and in the development and manufacture of components for satellites.

In the sophisticated field of equipment for space vehicles, Spain is coming into its own. One of the latest accomplishments of Spanish aeronautical engineers is the design of flight-control equipment for a satellite project which is being undertaken jointly by NASA and the European Space Agency.

Ceramics, a dark horse of Spanish manufacturing, is moving ahead fast. Ceramic tile exports have grown from 25 million pesetas (less than $400,000 at current exchange rates) in 1967 to 3.8 billion pesetas (over $56 million) in 1976. Related industries, such as glassware, are also buoyant, although not spectacularly so. The 1.4 billion pesetas (nearly $21 million at current exchange rates) worth of glassware sold abroad in 1972 roughly matches the figure for glassware exports in the first half of last year, 1.3 billion pesetas (nearly $20 million).

Leather

Another surprise contestant in the race for export markets is the leather industry. Leather goods are now Spain's third biggest export, behind agricultural products and refined petroleum products. The leather goods industry exported over $687 million worth of its production in 1976, with the United States and the EEC being the principal customers.

Exports of transport material were more than 46 per cent down in January, compared with the same month of last year, in spite of the reasonably healthy state of affairs in the automobile industry. The difference was the result of the decrease of more than 80 per cent in the exportation of ships.

The shipbuilding industry is sinking fast, and it is of small consolation to Spanish shipbuilders to know that they are by no means alone in the shipbuilding crisis. Spain produced 479 ships last year, with a total deadweight tonnage of 1.3 million. This represented a drop of 23 per cent when compared with the 1975 figures. This year is expected to be even worse. In January 1976, the order books called for the construction of 450 ships for a total of 4.5 million dwt; in January, 1977, there were only 357 ships on order, totaling 3.3 million dwt. Orders have gone down dramatically since April, 1974, when the books called for the construction of 7.6 million dwt. The current orders for 2.3 million dwt are very low, considering that two million dwt are already in an advanced stage of construction, and that 65 per cent of the total are oil tankers, which are less expensive per ton than smaller ships.

Construnaves, the government's central office for coordinating shipbuilding, says that unless new orders and more investment are forthcoming, the industry's decline will be inevitable and irreversible.

One strike against Spanish manufactured goods is that they represent little innovation and are always one step behind the latest industrial processes. This is because nearly all Spanish manufacturing is carried out under foreign license. There is a distinct shortage of technology "made in Spain" because hardly any industrial research is carried out in this country.

Spain's engineers, scientists and inventors are as good as any, but Spanish businessmen are loath to spend money on research. They prefer to rely on tried and true foreign know-how, and this means that almost all Spanish manufactured products are mere copies of such items made elsewhere.

Research

The "brain drain" is more severe in Spain than in most other Western European countries, and neither the government nor business seems to be concerned enough to do anything about it. Whereas, according to statistics published by the independent Madrid newspaper El Pais, Britain spends 2.2 per cent of its GNP on research and the United States spends 3.1 per cent, Spain spends only 0.3 per cent.

Furthermore, according to Comentario Sociológico, a periodic study published by the Spanish Confederation of Savings Banks, "Spanish technology does not find any support when an opportunity arises to export it, and consequently Spain is missing magnificent opportunities to present successful bids in international competitions—and not because of a lack of ability to handle such projects, but rather because of the absence of an adequate judicial and fiscal framework to allow and foster this kind of operation abroad."

In spite of all the drawbacks, however, Spain's engineers are not entirely absent from the international scene. The Spanish government recently concluded a deal to build a railway for oil-rich Venezuela and another to build a cement plant for Chile. A contract to build a liquefying plant for natural gas in Iran is close to the signing stage. That contract reportedly includes five methane tanker ships for Iran. SEAT is building an automobile factory in Egypt.

Drain of Capital

With production running far below capacity in most industries and with costs constantly rising, it is hardly surprising that profits are shrinking. On average, they were down for the third year in a row in 1976, and this year they are expected to keep dropping.

According to a study made by the Bank of Vizcaya, profits were 12 per cent less on average in 1975 than in 1974. In late May, the weekly news magazine Cambio-16 quoted Emilio de Ybarra, chairman of the board of the Bank of Bilbao, as saying that the decrease in profits in real terms amounted to about 50 per cent over the past two years for the average Spanish firm.

Those factors have not only led to a reluctance to invest in industry; they have also led to a drain of Spanish capital, much of it to Swiss banks, which the government has been almost totally unable or unwilling to control. Reports of people being caught by police at Madrid's Barajas airport as they attempt to leave the country with suitcases jammed full of money are far from unusual, and those reports only tell about those who did not get away with it. Others use more sophisticated methods of expatriating their riches.

Like everything serious in Spain, the flight of capital is a frequent subject of jokes. Spain's leading cartoonist, Forges (Antonio Fraguas to his neighbors) is the author of a popular record about "Switzerland, Beloved Homeland" of capital.

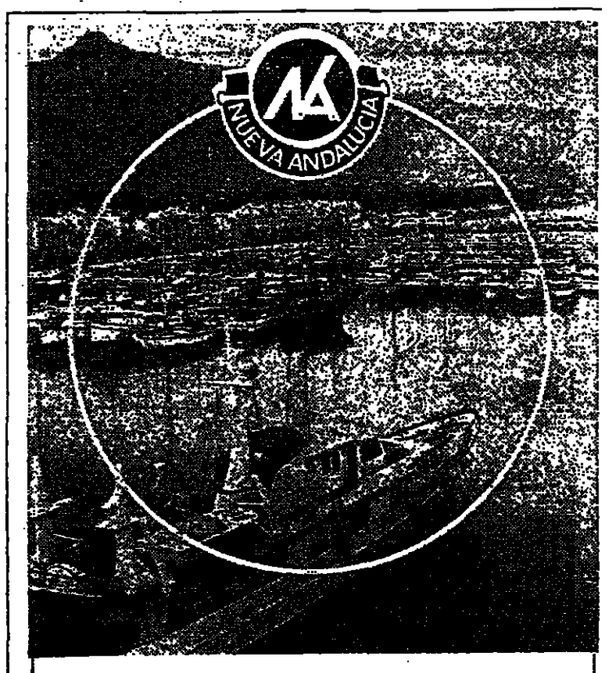
Industrial investment was off by nearly 2 per cent in 1976. Bad as that sounds, it was actually an improvement over 1975, when it had dropped by more than 3 per cent. Private savings registered a descent in 1976 for the second year in a row, and that trend is likely to continue this year.

Even short-term predictions about the economy are hard to make because of political uncertainties.

No one can say for certain when the vitally needed economic control measures will be taken, and there is no way of knowing how effective they will be.

"This combination of problems," as Madrid businessman Max Mazin told Cambio-16, "is still causing havoc on the balance sheets of business, since there has not been a post-Franco government strong enough or capable of facing the economic problem with decision.

"With this political and electoral binge that we are living through, the economy has come to be of so little importance that when we wake up to reality on the 16th of June, we are going to have a headache and such a big hangover that I don't know what kind of medicine we will be able to find to make us well."



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Current Trade Improvement Belies Weakening Export Positio

MADRID (IHT).—Spain's foreign trade picture is showing some improvement, however fleeting, in spite of the generally sad state of the economy.

During the first quarter of this year, exports increased by a staggering 15 per cent over the figure for the same quarter last year, according to a report just published by the Banco Hispano Americano here. At the same time, the growth of imports remained within a healthy margin of only slightly more than 3 per cent.

As a result, Spain's disturbing foreign trade deficit was whittled down to $7.3 billion, in contrast with the figure of nearly $8 billion which corresponded to the first quarter of 1976.

Industrial output also perked up encouragingly during the first quarter, notwithstanding the negative influence of skyrocketing costs and labor unrest. The increase, compared with the same quarter of the previous year, was 13 per cent, according to the Banco Hispano Americano.

A recent report from that bank says, "The results of the latest survey of businessmen's opinions forecast a new recovery period in April and May. Order books have improved; and, although stocks have increased, management's expectations regarding production levels have improved considerably."

Too Good

Nevertheless, economists generally think the situation is too good to last.

One explanation for the sharp rise in industrial output during the first quarter of this year is that the first quarter of 1976, with which it is being contrasted statistically, was a period of severe labor trouble which interfered greatly with production; as a result, production during that period was much lower than might otherwise have been expected.

Imports totaled $16.4 billion in 1976, or about $1.3 billion more than in the previous year. Much of that increase was due to energy requirements: Spain's purchases of petroleum and petroleum products went up by 13 per cent in the year. Also, according to the Banco Hispano Americano, there were many "nonessential" imports of consumer goods, unfinished products and raw materials, in reaction to the devaluation of February, 1976. These importations "were undertaken basically because . . . there was credit to finance them and an expectation that their prices would go up in the near future . . .

"In 1977, the factors which can unleash another wave of advance importations still exist and are even more pronounced than last year."

The bank's experts consider it "very probable" that imports will begin to increase rapidly after their rather moderate performance during the first quarter.

Warning

Notwithstanding the temporary spurt of export activity, the competitive position of Spanish exports is getting weaker all the time.

The latest economic news bulletin of the Bank of Viscaya, published in the northern city of Bilbao, warns:

"It must not be forgotten that inflation is reducing the competitiveness of Spanish products abroad: this could once again accentuate the problem of the balance of payments at a moment when there is a threat of resurgence of protectionist practices in major countries. If this new economic nationalism spreads, it will harm everyone; and it is already beginning to have some effect on export potential and Spanish fishing."

On the positive side, the government headed by Premier Adolfo Suárez is rapidly tearing down old psychological barriers which limited trade. The recent establishment of full diplomatic relations with Mexico and Eastern European countries is interpreted as a good sign.

Opportunity

While Spain has been trading with those countries for years, the commercial relationship has been far from optima', with political differences standing in the wa" of expansion of trade. With a total population of over 400 million, those countries represent a real opportunity for marketing Spanish products.

Up to now, the most common system of payment in trade with Eastern European countries has been unfavorable to Spain, with Spain obliged to pay up quickly but its trading partners permitted to delay payments.

Full diplomatic relations will probably make it easier for Spain to work out better trading conditions.

Favorable Balance

In the present decade, the balance has been in Spain's favor in the relatively small amount of trade carried out with Mexico, as well as with Hungary, Bulgaria and Yugoslavia, although the balance has been a deficit one in trade with other Eastern European countries. Nevertheless, the export/import coverage has been better than average, with regard to both Mexico and Eastern Europe.

Among those nations, the Soviet Union is the best customer and the biggest supplier, although it did not surpass Poland in terms of exports to Spain until 1975. After those two countries come Mexico and Romania, followed by Czechoslovakia, the German Democratic Republic, Hungary, Bulgaria and Yugoslavia. Together the U.S.S.R., Poland and Romania supply about two-thirds of the products which this country buys in the Comecon area, and they purchase about three-quarters of the total of Spain's shipments to Comecon countries.

Last year the Soviet Union sold Spain $161 million worth of goods ($56 million went for petroleum) and bought $98 million worth of steel, wine, grain and other goods from Spain; Poland sold Spain mostly coal and meat in the amount of $123 million, and bought $93 million worth of Spanish steel and farm produce; Romania sold Spain $61 million worth of assorted goods—mainly meat, vegetable oil, wood and iron—and bought $29 million worth of Spanish products, primarily steel.

Spain's total sales to Comecon last year amounted to $297 million ($82 million more than in 1975), and Spain's imports from those same countries totaled $422 million ($34 million more than in 1975).

Revitalization

Yugoslavia, not a member of Comecon, bought $29 million worth of Spanish products, principally vegetable oil, motor vehicles and aluminum manufactures, while Spain bought $18 million worth of Yugoslavian goods, mostly wood. Mexico boosted Spain's trade balance by buying books, machinery and cars in the amount of $61 million, while selling Spain $34 million worth of farm products and coffee.

The commercial importance to Spain of the new relations can be inferred from the fact that, even while diplomats were still negotiating the exchange of ambassadors, there were already two Spanish commercial missions in Moscow, engaged in talks about the revitalization of trade between the two countries.

Spanish-Soviet relations were first taken out of the deep freeze as far back as 1961, when Gen. Franco was still very much alive, although the thaw did not break through the permafrost. What started it all was a New Year's toast offered by the then Spanish ambassador to Paris, José María de Areilza, to his Soviet colleague, Sergei Vinogradov. By June, 1961, there was already a signed agreement authorizing restricted trade between the two countries.

An Agreement

The arrangement proved so satisfactory that in 1969 the Generalissimo approved an agreement authorizing ships of both nations to use port facilities in both countries; this blossomed into the permanent use of Canary Islands ports by the U.S.S.R.'s Atlantic fishing fleet. But it was not until May, 1976, six months after the Caudillo had been buried, that regular flights of Aeroflot were allowed to land in the Spanish capital.

Not surprisingly, oil is the major item on Spain's foreign shopping list, and it is expected to be so for some time. But, according to a report on the energy situation published by the Bank of Bilbao, "The balance of payments cannot stand the weight of the current dependence on petroleum" and "the nuclear option is inescapable in order to get out of the crisis."

Spain is also making an undisguised bid for better commercial relations with the Arab countries, utilizing its historic and traditional Arab ties in order to get a foot in the door. With offices of the Arab League and the Palestine Liberation Organization authorized in the Spanish capital, the political atmosphere in Madrid is conducive to improved commercial relations. To make Spain's interest even plainer, King Juan Carlos and Queen Sophia, Foreign Minister Marcelino Oreja and Commer Jose Llado y Fernand have all taken a spi Arab nations in the months.

The big question m economic and politi have had a predictab effect on foreign inves a royal decree publis Official State Bulletir 21 contained "measure help to facilitate the foreign capital to th market."

On a cumulative United States remains ing foreign investor according to a U.S. I of Commerce report, U.S. direct investmen an estimated $2 billio the basis of investmen 1976 alone. Switzerla the list, with $35 millio by the German Feder with $33 million. T States was in third pl year, with direct inve $30 million.

Bankers Criticize Government's Economic Negligence

MADRID (IHT).—As the economic situation worsens in Spain, the banking world is becoming more outspokenly critical of what many bankers see as a do-nothing policy on the part of the government.

Few criticisms could be more plainly put than one in the latest issue of the monthly economic bulletin of the Bank of Viscaya, referring to the delay in publishing consumer price index figures for February and March, following a 3-per-cent jump in January. The bulletin said the delay was "a maneuver to hide the truth" and a "totally mistaken" move, adding that the delay was "perhaps the result of the government's continued insistence on not revealing the proofs of the failure of its economic efforts—or rather the proofs of the absence of such efforts."

In its bulletin for the first quarter, the Bank of Santander challenges official credit policy. After pointing out that "the economic strategy approved by the government" includes the "proposal to normalize and liberalize rates of interest," the bulletin's anonymous author continues: "It is felt that the liberalization of interest rates would not be convenient for Spain at this time. It is thought that such action would have a damaging effect on the already depressed stock market, on the money market and hence on the cost of credit to industry."

There is a widespread conviction in financial circles that, as the elections draw closer, Premier Adolfo Suárez's government is totally neglecting not only the nation's economic problems but even its financial institutions.

Related Fear

Mr. Angel Galindez, president of the Bank of Vizcaya, expressed a related fear at a recent stockholders' meeting, when he said, "It's time to point out the need and the urgency, whatever the political options being considered, of paying attention to the economic institutions, and especially to the one which has constituted the key to progress and welfare in recent years and which—I must say this—is in grave danger of being destroyed."

He continued, "I cannot fail to mention at this time something of considerable importance which would have an effect in the future on political pluralism and individual freedom. I am referring to the specter of nationalization of banks and large companies, which, it is said, is the aim of certain groups."

He was typical of Spain's bankers today in that his attention was directed to short-term developments, or ones which he believes are possible within a short term. The pondered consideration of long-term objectives, such as Spain's eventual integration into the European Economic Community, which used to be a perrenial theme in Spanish business publications, seldom finds its way into print any more, aside from the daily newspaper reports from Brussels.

The periodic bulletins put out by the various banks all seem to coincide on the need for certain rapid measures, as soon as the elections are over, to restore order to the economy: measures to control inflation, to stimulate investment and exports and measures to inculcate a sense of responsibility in the new free trade unions, among others.

As for the future, Spanish bankers are aware that joining Europe will be a challenge which will come soon, but hopefully long after the economy has undergone a revival.

A group of economic experts of Europartners (formed by Banco Hispano Americano, Banco di Roma, Commerzbank and Crédit Lyonnais) met in Madrid to study the world economic situation. And, according to an economic news bulletin published here early this year by the Banco Hispano Americano, one of their conclusions was as follows:

"Spain's lack of financial equilibrium with respect to foreign countries (due to rising oil costs and reductions in tourist revenue and money sent back by emigrants) imposes the necessity of increasing the competitiveness of manufacturing industries. In this way, Spain could prepare for its entry into the European Community in good shape, at a moment in which the evolution of its political climate seems to have dissipated the obstacles to its integration."

EEC Membership

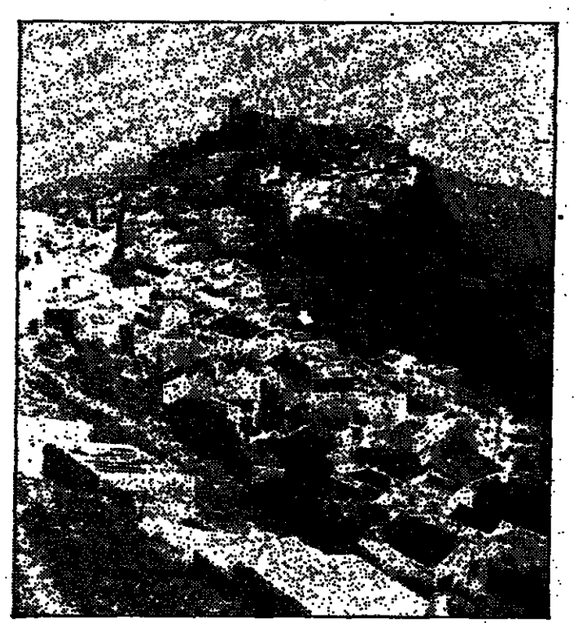
Francisco José Manas López, executive director-general of the Pastor Bank, summed up his thoughts on the problems faced by Spain's banks and industry in connection with eventual full membership in the EEC, in an interview published in the magazine Europeo; and his remarks probably reflect the feeling of many Spanish bankers on the matter:

"In the long run, Spain's integration into the EEC will undoubtedly benefit our country, and it will present the opportunity to consolidate the development of recent years by incorporating us into a stronger economy which will oblige us to rationalize the production frame- work. And this is pr short-term problem. T modation of the Span trial (and even comme tor to the European create problems for s which have not been modernize their produc ods and organizations ly. For this reason, an to keep difficulties to mum—I might add tha perfectly logical if w mind the speed of S velopment—the process gration should be stu fully . . .

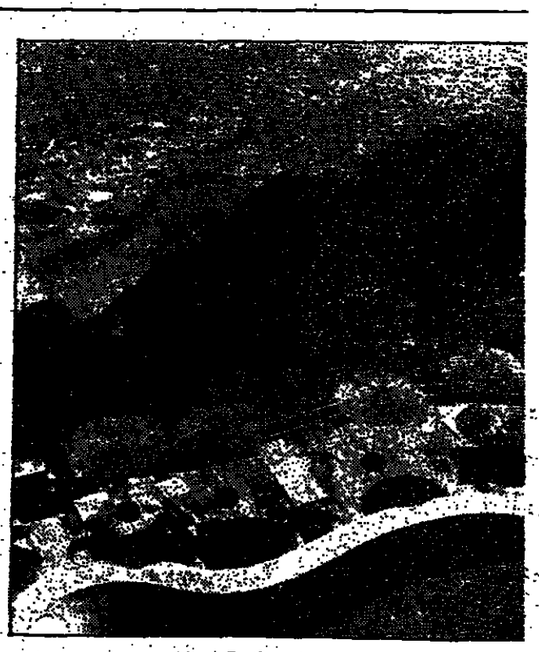
"It does not look as ish banks constitute which will run into tro Spain joins the EEC. of service and their in acting in internatio cial markets is sufficie tee of their capacity themselves outside the the country. Nevertheless period prior to integr administration will ha careful consideration to of competence in the market."

Spain is dedicated to restoring what man, in his progress, destroys.

In Spain, the land is rich with 46,000 miles of well-kept "little-old fishing holes."

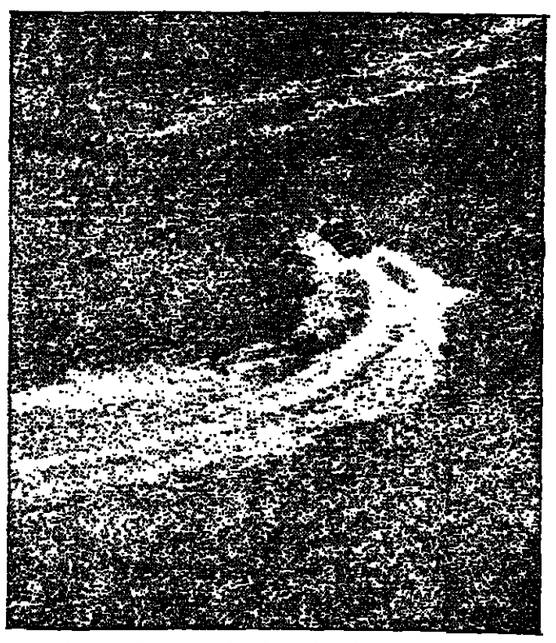


Hundreds of Spanish villages have preciously guarded the charm of their centuries-old stones.



In Spain, architects traditionally create hotels that honour their natural surroundings.

In Spain, there are thousands of beaches where nothing but shells wash up on the sand.



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59

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...ree Professional Men View the Country's Past, Present, Future

from Page 1.)

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...n by the King's ...n, of his rights ... throne 10 days ...al campaigning ...archist legitima...e. King Juan ...pointed successor ...n 1969 over the ...er, an opponent ...time. The renun... ...of the Francoist ish society. Spain's problem is something which physicists refer to as a closed system . . . It remained closed for centuries. There was hardly any Renaissance in Spain, and Protestant cults were scattered by the Counter-Reformation and the church contributed decisively to keeping Spain's doors closed. Especially Spain was closed to Europe . . . Spain remained closed through the early decades of the Franco dictatorship. But there comes a moment when it is no longer possible, and Spain opens up—not for ideological reasons but for economic ones—and begins to send people abroad so they can send back money, and to bring foreigners here so they will leave their money . . .

In addition to the money they bring, people bring their ideologies; and those who go abroad to live, then later return to Spain, they too bring ideologies. . .

Mr. Chislett: There seems to be an enormous generation gap in Spain. . . Do you think the generation gap will influence the elections?

Dr. Alvarez Villar: Polls taken in other countries show clearly that there is a positive relation between conservatism and age, and between socio-economic status and conservatism. The younger the voter, the more he tends to vote for parties of the left. . . We know that if 18-year-olds are allowed to vote now, I mean in these elections in fact, we already know that the university students (who now number over 400,000 in Spain . . .) would vote for parties of the left. . .

Mr. Suárez: I doubt it.

Mr. Martin-Artajo: The shift of the student vote to the left is closely linked to the work prospects of the man who is studying or who is finishing his studies and about to look for a job. . . In Spain's situation, in view of the terrible job prospects for university graduates, it's surprising that this swing to the left is not evident to the radical extent that I think it might be in the circumstances. . .

Dr. Alvarez Villar: The question of elections in Spain is really a surprise package, and it will be so for quite a few years until we have a more mature consciousness regarding elections.

Strange things can happen in this country . . . There is a great margin of error. I'd say that the party that gets the most support from Spanish television will win . . .

Mr. Suárez: I don't think I'll vote.

Mr. Martin-Artajo: I haven't made up my mind because the center section is completely undefined. On the one hand there is the Popular Alliance, not to mention Blas Piñar, which can be eliminated as of now for what might be termed not very reasonable attitudes and objectives in the current situation; and on the other hand there is Marxism, which, in my opinion, has already counted its votes as of the last referendum. That leaves a sector in the center which is not doing very well at the moment because it has not defined its attitude; so the center sector is a kind of catch-all where everybody winds up but nobody comes up with a clear proposal.

So maybe 60 per cent of the votes will be cast here in the center, in what is still referred to as the center, and they don't know how to use them. I think Popular Alliance will probably not get more than 10 per cent. Between the Communists and the blank votes there might be another 10 per cent. Altogether, the Marxists might poll as much as 15 per cent. And then there's that enormous block of votes which is totally dependent on some orientation, some agreement, honest representation. (Premier) Suárez could lead this group, but only as long as the people let themselves be led by him. He will have to make a very agile maneuver in order to follow the non-confessional center, leaning slightly toward social democracy . . .

Mr. Suárez—These elections will not show that kind of politics the Spanish people want. The elections will propably be a massive exercise, with a turnout of perhaps 80 or 85 per cent, something which occurs in very few countries, but which is going to occur here now; in short, it's hard to predict who will carry that enormous block of undecided votes, but I think there's no way that it could be any extreme, neither the extreme right nor the extreme left . . .

Mr. Martin-Artajo — At this time I think the average Spaniard is looking for an honest, capable man, not a fanatic; and he has not yet appeared on the scene. There's no doubt that the present government has carried out a very well-executed political pirouette, and it has considerable political support; nevertheless it has not made the slightest commitment in the field of economics, social welfare and social administration . . .

Mr. Suárez—The Spanish people are not clued in; they lack information. The politicians may have it, but the poor Spanish people don't have the information which the big communications media should give them . . .

Mr. Martin-Artajo—I think a lot of confusion is being stirred up by the parties which are bound to lose, that is to say the ones at the extremes. Besides, judging by the personal appearances we have seen on TV, nobody wants to define his position, and that's fatal. No matter how democratic the elections are, they are going to be so confusing that nobody will be able to interpret the results clearly . . .

Mr. Debelius—I'd like an opinion about the economic problem and possible solutions.

Mr. Suárez—. . . The problem in my opinion is that . . . no effort is being made at all to promote the only formula for salvation which can be applied to ruined or semi-ruined countries like ours, which is to create incentives for production. This is the heritage of 40 years of Francoism. Every historical situation is the result of what is inherited from the past. There's no doubt that we are suffering from the policies of the Franco era, at the cost of all kinds of freedoms which were stolen from the Spanish people or banned . . . The great tourist explosion in Spain seemed interminable . . .

Mr. Debelius—I'd like to ask Jaime, who is indirectly involved in one of the basic industries . . . construction, for his opinion.

Mr. Martin-Artajo—As I see it, there is absolute immorality, and that's very important because nobody wants to work for an unjust cause. There are two problems in construction: One is the construction industry itself and the other is land speculation . . . While there have been some very progressive and perhaps . . . slightly disproportionate wage increases, the rise has been greater with regard to land values . . . The land was there, it had not suffered additional costs . . .

Yet it went up out of proportion with salaries. That means that there are many parts of Madrid in which the value of a building to be constructed on a given lot is less than the price paid for that lot. This implies such beastly social injustice that it is hard to stimulate industry; a man decides in all honesty, for instance, to manufacture bricks; but after working hard in his own factory and seeing that it is a tremendous struggle he finds out that the land is worth more than he could make with his factory in 10 years; he sells the factory to somebody who wants to build a housing development (which in the end won't be built; it will be a total failure). What I'm trying to say is that there isn't the least stimulus for the generation of wealth but rather only for speculative activities. And anyone who tries to promote or establish an industry, looking at things honestly, finds the insurmountable barrier of land which he must buy at nearly unattainable prices, which allow him no chance for a sound economic base. I think construction is in bad shape at this time; companies have little work; many architectural studios have been closed. In general the situation is very bad and it will not be corrected until there is a profound structural change. . .

Generally . . . I'm rather optimistic about Spain's future. It's just that I think it's essential to control the situation.

Spanish capitalism isn't the same as capitalism in other countries. It's so primitive it has no parallel. And, unless the conditions are created to stimulate the man who wants to work, who wants to generate riches, who is willing to be responsible for the activities of many others, it will be impossible for Spain to prosper. . .

Mr. Chislett—With all those problems . . . do you believe that Spain needs another strong man to find the solutions?

Mr. Martin-Artajo—I don't believe in the "strong man. . ."

Dr. Alvarez Villar—It needs a team of honest and efficient men. . .

Trini Sandres.

The group, from forward left moving to the right, Mr. Martin-Artajo, Mr. Suárez, Harry Debelius, Dr. Alvarez Villar and William Chislett.

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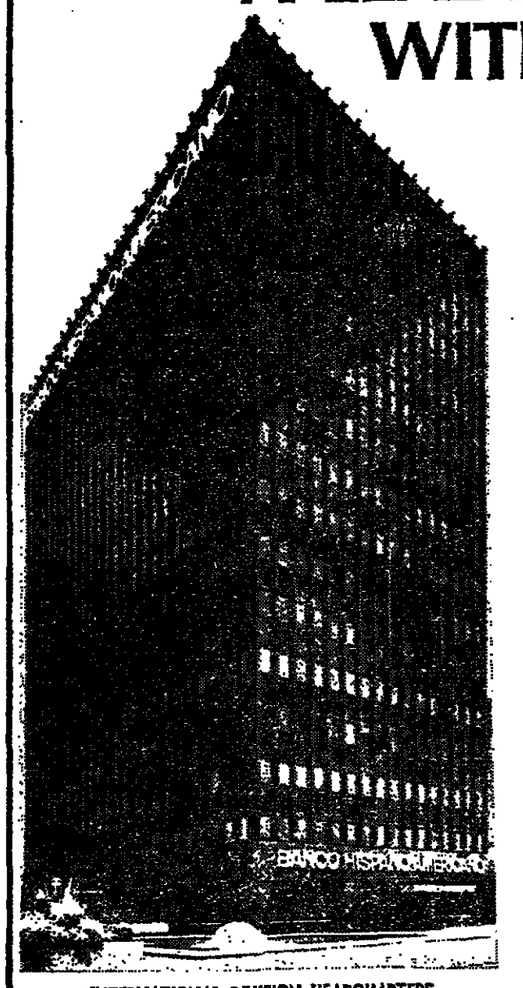

INTERNATIONAL DIVISION HEADQUARTERS SERRANO, 47 MADRID.

The BANCO HISPANO AMERICANO, already an established force in Spanish banking, has recently widened its horizons by taking over the Banco Mercantil e Industrial and the Banco de Gijón. The salient figures at the end of 1976 were:

(U.S. Dollars millions)	Capital and Reserves	Balance Sheet Deposits	Balance Sheet Total	Branches
BANCO HISPANO AMERICANO	495	6,016	9,322	877
Banco Mercantil e Industrial	34	518	923	85
Banco de Gijón	9	133	178	37
	538	6,667	10,423	999

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BANCO HISPANO AMERICANO is fully aware of the commercial and financial climate that links Spain to the rest of the world and has made, during the last few years, a sustained effort to provide its extensive network of branches with an excellent international service. It has recognized the needs of both Spanish exporters and international investors. Side by side with these developments, the central departments which liaise with the International Division have also been reorganized.

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Bogota
Calle 17, N° 7-35
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Piso 10°, Oficina 1012

San Jose, Costa Rica
Calle Central
Edificio Cosiol

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Lima
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The INI participates directly in 60 companies and, through these, in over 200. In 1975, sales turnover amounted to 7.3 billion dollars, with exports of over 1.2 billion dollars.

At this time, there are very few industrial activities in which the INI is not involved.

The INI is present in oil prospection and refining; the petrochemical industry; the production, transport and distribution of gas and electricity; automobile and transport vehicle industries; shipbuilding and the construction of railway equipment; the manufacture of capital goods; the aeronautical and electronics industries; the production of fertilizers, cellulose and paper; in armament manufacture and defense industries; the production of steel and aluminum; the mining of coal and other products of national interest; the food industry and air transport. And everywhere it co-operates with private enterprise in the development of the country.

The INI has extended its activities outside Spain, not only by exporting goods which amount to over 18% of the national total, but also by investing and exchanging technology and experience.

All this converts it into the most important Spanish industrial corporation and places it among the main European industrial groups.

Petroleum and Petrochemistry. INI invests directly in petroleum exploration inside the country some 15 million dollars. HISPANOIL, in petroleum exploration abroad, more than 40 million dollars yearly. ENPETROL controls 40% of the refining capacity of the country.

Gas. BUTANO distributes 100% of the domestic and industrial consumption of butane and propane. ENAGAS is responsible for the introduction of natural gas in Spain on a wide scale.

Electric Power. Companies of the group produce 14% of Spain's electric power.

Trucks and Buses. ENASA makes 60% of the national production of trucks and 77% of buses. The companies of the INI group produce 60% of the light industrial vehicles manufactured in Spain.

Automobiles. SEAT makes half of the national production of tourist cars.

Shipbuilding. AESA, BAZAN and ASTANO build 90% of the national total. Spain's shipbuilding ranks fifth in the world and is also her prime export.

Industrial Equipment. INI participates in companies, such as LA MAQUINISTA, which builds turbines, railway material and other large mechanical transformations.

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Fertilizers. ENFERSA produce 39% of the nitrogenous fertilizers in the country.

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Metal and Steel Industry. ENSIDESA, the largest steel mill in the country, produces 45% of Spain's steel and ENDASA, 57% of her aluminium. AESA manufactures the total production of forging and heavy casting.

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Optics. ENOSA makes precision optical and educational material.

Other Sectors. INI also participates in the fields of: FOOD PRODUCTS with meat industries as well as canned fish and vegetable industries. DATA PROCESSING (hardware and software). WEAPONS (production and research with the most up-to-date technology). HOTELS, including historical buildings of unique architectural value converted into magnificent hotels. CRAFTMANSHIP, in which ARTESPAÑA promotes and sells at both national and international level the rich Spanish craftmanship. INI is a shareholder of the BANCO EXTERIOR DE ESPAÑA, which deals mainly in foreign trade, of the BANCO ARABE-ESPAÑOL and in various companies with investments in foreign countries, for which reason INI can be considered as the most important Spanish multinational Corporation.

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AN ECONOMIC

INTERNATIONAL
Herald Tribune
Published with The New York Times and The Washington Post
PARIS, MAY, 1977

REPORT

THE OUTLOOK FOR FRANCE

The United Left's Unprecedented Challenge Threatens to Oust the Divided Establishment

By James Goldsborough

PARIS (IHT).—A specter haunts France today, to paraphrase Karl Marx, the specter of Eurocommunism. Some time during the next 11 months, a crucial election will be held here to determine whether the French Communist party enters the government for the first time since the immediate postwar period of 1946-1947.

The question on many minds today is whether the present government, President Valéry Giscard d'Estaing's third in three years, can hold on until March, the normally scheduled election date. The President says yes, but many Frenchmen believe that it would be better for all concerned to advance the date and get the test over with.

Jacques Chirac, the Gaullist leader, claims that the government has lost its legitimacy. Industrial production fell in February and the business community talks about investment uncertainty. Unemployment reached an official 1.02 million last month, up 3.3 per cent, and labor is planning a series of rolling strikes this spring to protest. The Paris Bourse has collapsed. Even Prime Minister Raymond Barre, whose popularity had been rising, is slipping. There is a somber mood in the government.

The left has been creeping up on Mr. Giscard d'Estaing these last three years, and in last month's municipal elections, it finally caught him. Firmly linked in their Common Program for Government, the Socialist and Communist parties enter this electoral period in a position they have never held before in French history: They are on the threshold of winning the majority.

Interesting Story

The comeback of the Socialist party since 1969, when Gaston Defferre won only 5 per cent of the presidential vote, is one of the interesting political stories of the 1970s. Ending years of effort to build a solid center-left alliance, the Socialists under François Mitterrand joined with the Communists, signing the Common Program, bringing the Communists out of the political ghetto to which they had been consigned since the cold war.

Judged only by appearances, the alliance has benefitted the Socialists more than the Communists. Since the signing of the Common Program, the Socialists have increased their strength at every election. It appears that many French voters have abandoned their traditional splinter parties in order to vote Socialist and increase that party's strength more than the Communists'.

But the alliance has helped the Communists as well, for they now are poised to enter the government again—to share in power again—for the first time since 1947. The March municipal elections gave a preview of what could happen in the national elections: Although the Socialists did relatively better than the Communists, the Communists, thanks to the left's joint tickets, entered hundreds of city halls where they had never been before.

Historically, there would be no precedent to a victory by the left next year. During the Popular Front of 1936-38, the Communists, while supporting the Blum Cabinet in parliament, never entered the government. In 1944-47, the Communists held minor posts in the De Gaulle provisional government and early Fourth Republic Cabinets but they were just one party among several, from right to left.

No Precedent

There is also no precedent under the Constitution of the Fifth Republic, which has never been tested by having a Gaullist president and an opposition government. Mr. Giscard d'Estaing would have several options for dealing with a victory by the left, including his own resignation. But he has given strong hints that he has every intention of staying on and assuring the presidential continuity.

It took more than a comeback by the left to get things where they are today. It also took an incredible number of errors by the ruling coalition, a series of blunders so striking that Le Monde, which greeted Mr. Giscard d'Estaing's election three years ago with the hopeful, "a new era begins," was writing recently of the government's "disintegration."

In a last-ditch attempt to halt the disintegration, the second Cabinet of Prime Minister Raymond Barre was formed to prepare for the elections. This new Cabinet, unburdened of many of the men who were causing trouble within the coalition, is a mostly faceless body of technicians with little political support in the country. It has the thankless goal of running a crucial election campaign on a program of economic austerity. Mr. Chirac already has underlined the impossibility of such a task by saying, "Usually you have elections, *then* redress the economy, instead of the other way around."

Turning Point

If there was any single turning point for Mr. Giscard d'Estaing in the past three years, it was Mr. Chirac's resignation as prime minister last August. Until then, the two men, though rivals and temperamentally unsuited to each other, were able to compose their differences enough to govern. During the first two years of the Giscard d'Estaing presidency, it was the Communists and Socialists who were in disarray, with their divergences over electoral strategy and ill-concealed mistrust of each other.

Ostensibly, Mr. Chirac resigned as prime minister over Mr. Giscard d'Estaing's refusal to hold early elections to give the coalition new breathing space. In truth, the two men held substantially different views on a whole series of subjects, ranging from domestic politics to international affairs. Mr. Chirac made one last attempt as prime minister last summer to take political control of all the parties within the government, and when that failed, he resigned to take over leadership of a new, rejuvenated Gaullist movement called the Rally for the Republic.

The stresses within the coalition finally proved too much to bear. If the Communists and Socialists shared, in most cases, even greater differences than the Gaullists, Centrists and Giscardians of the coalition, they were better able to compose or conceal them, perhaps because they had been out of power for so long. The differences within the coalition were amplified by the uncompromising personalities of several men unable to get along: Bitter anti-Gaullists like Michel Poniatowski, the Giscardian interior minister, and Jean Leca-

(Continued on Page 2)

Keystone.

A workers' demonstration on the Avenue de l'Opéra last week.

Paris' Role in EEC's Regional Development

By David Haworth

BRUSSELS (IHT).—Inevitably French social and regional problems tend to be obscured from the perspective of the European Commission by the heavier and the more pressing demands which the Irish and Italians make on the available EEC resources. One of the main reasons for this, of course, is that traditionally the French have seen the common agricultural policy as the main instrument for the betterment of underdeveloped areas.

And this is still to a large extent the case. Like other member countries France is all too aware that the EEC's social and regional funds are woefully inadequate for their declared purpose. Except for the most poverty-stricken areas of the community, these funds are merely an adjunct—necessary though comparatively trifling—to national self-help policies.

The effects of the continuing recession have sharpened the plight of many French rural areas and at the same time have made it more difficult for Eurocrats to assess the benefits of the social and regional funds.

Regional Fund

The first annual report on the operations of the Community's Regional Development Fund includes an assessment of the impact of the economic crisis on the regional fund. The report stresses that regional development has been made more difficult both by the aggravation of the problems of the less-favored regions and by the changed investment priorities resulting from the structural problems now affecting the economy as a whole. It also estimates that the rate of inflation is highest in the countries with the greatest regional problems.

The report stresses that the gap between the more prosperous and the poorer regions has increased rather than decreased since 1970. In that year gross domestic product per head in the richest regions, Paris and Hamburg, was respectively four times and five times higher than in the poorest regions of the south of Italy and the West of Ireland.

When the second annual report is due to be presented in June, the commission will already have decided on the proposals it is to make to the council for the re-examination of the fund regulation which the latter is to carry out during that year. This illustrates how short is the period effectively available for the community institutions and others to reach their conclusions from the experience of the fund's initial phase and to take their decisions for the future.

The breakdown of the community's gross domestic product shows that major changes took place over the long term in the shares in the overall product accounted for by each country: from 1955 to 1972, West Germany and France, in particular, considerably increased their shares; that accounted for by the United Kingdom contracted to approximately the same extent. This "scissor" movement was largely due to very different performances in investment.

Except in two member countries—France and Italy—the rate of growth of productivity gathered momentum in all sectors during the 1960-1970 decade. Since then, the slowdown in productivity growth, which few industries or regions have escaped, has been much less pronounced in industry than in, say, agriculture.

Anxiety

In these circumstances it is hardly surprising that the anxieties of French industrialists are growing. At best, they expect a slower growth rate if not stagnation. This has been confirmed by recent surveys by the CNPF (employers), the Bank of France, or that carried out by the National Statistics Institute. In the opinion of the institute, industrialists' personal outlooks for production "no longer correspond to anything but slight expansion." If the number of "optimists" was 32 per cent higher than that of "pessimists" last June, by the fall it was only 6 per cent.

Despite signs of improvement in

(Continued on Page 3)

estors' Fears Cost Jobs, ling New Investor Fears

Economy Boomerang

By Carl Gewirtz

IHT).—The French is running at half motors needed to economy—consumer id capital outlays by r new plant and are idling and it is to the nationalized id government spend- moderate rate of owth is being main-

ace—half the normal well below the offi- set in the Seventh sufficient to keep kers employed. The ob-seekers last month million mark, a post- making unemployment most critical economic and by September, June school-leavers b market, there will nother 200,000 people work.

me 40 per cent of the are under 25 years of fears that a whole of workers could be cted with the existing stem—a worry, inci- at exists in other here unemployment is high.

ally, all the govern- o do to defuse this olatile situation is to anti-inflation policy harder on the gas ntrols to rev up the But in reality, the that no matter how vernment steps on the as line is clogged. ruction is primarily e widespread belief ialist-Communist alli- eep into power in the lections scheduled for at the latest. Private is virtually immobi- fear and uncertainty l ensue in the wake story, and the widely ong businessmen and nomists is that no government gas ped- ceed in getting this mic motor to turn

w Capacity

economic obstructions much of industry is g too far below ca- tify new investments te profits have not ficiently to finance ddition, a massively government policy little credibility as it ably be followed by onger anti-inflation would leave industry an increased amount acity.

w stop would be in- es from the fact that still a problem and even worse headache months of economic g.

ss, the government nething. However un- hances of being able upcoming elections, way it can hope to rious unless it brings vel of unemployment. rnment's program is . It is offering to ll next July 1 the rity payments em- t pay on any youths efore Dec. 31, it is subsidize industrial rograms for young l plans to hire some rary employees. ing to encourage el- rs to retire before offering a "mobility" 1,850 francs to en- kers to move and it to pay unemployed workers 10,000 francs . At the same time, ment is stepping up lfare benefits in an uoy consumer spend-

he program is esti- cost the state some rancs this year, which the government's udget deficit to 13.3 cs.

extent such measures l is problematic. One orate profits improved here than in other the wake of the 1974 as the great difficulty

Happiness Decreed From on High—'The French Illness'

PARIS (IHT).—"If the left came to power," claims Alain Peyrefitte, "the economy would run the risk of skidding out of control." These words of France's new Justice Minister are just what one might expect from a senior member of the Barre government as the nation prepares for the key elections of March 1978. Yet Mr. Peyrefitte, author of the best-selling "Le Mal Français" ("The French Illness"), is not only a leading politician with a gift for the telling phrase. He has an original turn of mind and remains one of his country's most telling critics. Here, in an interview with David Cudaback, Mr. Peyrefitte discusses some of the problems which he feels affect French society.

Q—Sir, can you explain to our English language readers, many of whom do not know your book, what you have called the "French Illness" and specifically how this illness will affect the French economy?

A—This ailment is common to all Latin countries, even if it takes on a particular form in France. We are the direct heirs of Caesarism and the Counter-Reformation. Well-entrenched customs reinforce the power of the administration. The state wants to assure the happiness of its citizens in spite of themselves. Everything is decided at the top, far from those areas where the decisions will be imposed.

Economies based on such authoritarian practices have always found it difficult to move forward. Our administration believes only very little in the advantages of a market economy. It prefers to set prices, fix quotas, create new establishments rather than to make sure that the laws of competition are faithfully followed. The result is a loss in the efficiency of the market place and an increase in inefficiency due to government control. The state permits the disintegration of the mechanisms of a liberal economy; it allows the creation of monopolies and trusts because it feels more comfortable in a simplified economic situation. The French Illness is thus filtering through our economy, which for three centuries has been under the jealous control of the administration.

However, since 1945, and particularly since 1958 when France joined the Common Market, the French economy has progressed enormously, thanks to a greater opening to the world and because it accepted the risks inherent to competition.

Q—You have stated in your book that this illness is not incurable. What are the main steps to take toward recovery?

A—My book does not offer a detailed prescription to cure the patient. The illness exists within ourselves. The very realization that we are suffering from it is already a major step toward the cure. Furthermore, if at the present time "power is impotence," should we not then share out this power among all levels of responsibility to augment the potential of each one?

Associated Press.

Alain Peyrefitte, Justice Minister, author.

We must renew the municipality, promote the district, increase the scope of activity of the department... these are ideas to follow that would bring about a real decentralization. The unity of the state would not be weakened by them; quite the contrary.

Life on the local level would be more animated because it would be less restrained, closer to the interests of those involved. Decisions taken on the spot, in accord with the population are most certainly better adapted than the remote opinion of an administration located in Paris. And, this way, citizens and the administration would become closer to one another; and the efforts exerted by one side would receive the help of the other; specific undertakings would come before the general evolution.

Each Frenchman must participate in progress; the progress of a society must first pass through a change in the state of mind. There can be no social progress without economic progress and no economic progress without an economic state of mind. The French must learn to love trade, industry, techniques and, therefore, their exporters, their industrialists and their technicians. They must admit that the laws of the marketplace are nothing more than the laws of democracy applied to economics.

Q—During the 1950s and the 1960s, France greatly admired U.S. methods of industrial management. This admiration appears to have given way to a more national approach, or at least to a combination of U.S. efficiency and French tradition. Is this an accurate description of the current evolution of the French system?

A—It is true that in the last 200 years, from independence to now, the American people have gone through a spectacular and extraordinary development. We could not remain unaffected by this phenomenon at a time when France was opening its gates to the salutary winds of trade. And this is the cause of the admiration you mention. The United States, as is true for other countries which have pioneered development, broadened, consolidated, cleared the twisting path to freedom, to private and collective enterprise, to industrial adventure. And since the 19th century, this twisting road has been wandering over our territory, crossing our own rigid path. And since then, we have continued, a bit haphazardly, sometimes on that new path and sometimes on our own good old Roman roads, feeling ill at ease on one as on the other. In the last few decades, our paths have crossed more and more. We have come to note and to apply the values of industrial and liberal societies such as that of the United States.

And in some ways, we have already begun to move on the "third road" that we have dreamed about since Gen. de Gaulle. Because France does not fit in

(Continued on Page 2)

Giscard's Political Problems Include His Ex-Allies and a United Lef

(Continued from Page 1)

nuet, the Centrist justice minister, attempting to cohabit with Gaullist ministers and a Gaullist prime minister.

Mr. Giscard d'Estaing had believed at the beginning of his presidency that the various currents of the coalition would gradually join together under the standard of his post-Gaullist reformist policies. He believed he was forming a homogenous "presidential majority" and that France was evolving into a two-party system with the Communists gradually being eclipsed by the Socialists on the left.

It almost worked. The Gaullists went into rapid eclipse after Mr. Giscard d'Estaing's election, and without Mr. Chirac to pull them back and rally them around his neo-Gaullist, rightist policies, the presidential coalition might still exist today.

Mr. Chirac is in many ways a remarkable man, but his differences with Mr. Giscard d'Estaing have forced him into a position far right of what he once defended. Little more than an obscure junior minister in De Gaulle's time, he came into prominence under President Georges Pompidou, who moved him through a series of portfolios to become one of the powers of the government. His opposition to the candidacy of Gaullist Jacques Chaban-Delmas and support for Mr. Giscard d'Estaing during the 1974 presidential race earned him the prime ministership.

But Mr. Chirac does not travel alone. When Mr. Pompidou died, he inherited two of the more mysterious figures of the Fifth Republic, the kind of *eminences grises* that have never lacked in France. Marie-France Garaud and Pierre Juillet had been two of Mr. Pompidou's closest advisers. Both played a strong role in the downfall of Mr. Chaban-Delmas as prime minister and later in his downfall as presidential candidate when Mr. Chirac led a group of 44 Gaullists out to support Mr. Giscard d'Estaing. When Mr. Chirac became prime minister, the two moved into the Hôtel Matignon, the prime minister's residence, with him.

Elected to Do Nothing

It did not take long for the new inhabitants of the Hôtel Matignon to realize that Mr. Giscard d'Estaing harbored some of the same reformist thoughts that had led them to oppose Mr. Chaban-Delmas and his program for a "new society" in 1970. In one of his more memorable quotes, Mr. Chirac said not long ago, "If the people had wanted reforms, they would have voted for Mitterrand. Giscard d'Estaing was elected to do nothing. His problem is that he wants to do something."

As though it was not enough to be politically outflanked on both his right and left, Mr. Giscard d'Estaing's government ran into a series of wildly improbable misfortunes. A Giscardian member of the National Assembly, Jean de Broglie, was murdered under mysterious circumstances on the streets of Paris, and a few days later Mr. Poniatowski, leader of the Giscardians in addition to being interior minister, announced that the case was solved. But it was not, and still is not solved. Mr. Poniatowski's *precipitous comments* bore all the marks of a cover-up, not to mention a conflict of interest.

Keystone.

President Valéry Giscard d'Estaing

Mr. Poniatowski also was involved in the next blunder, the arrest of Abou Daoud, the Palestinian leader of the Black September group, who arrived here one day in January to attend the funeral of a slain comrade. The French police inquired about him and were told by other secret services that it was indeed Mr. Daoud, the man wanted for the Israeli Olympic team massacre in Munich in 1972. Mr. Daoud was arrested and the West Germans were contacted to begin extradition proceedings.

Only then did the French "discover" that the West Germans would not extradite him, that not only was Bonn afraid of a new terrorist attempt to liberate him, but that, with peace talks in the Middle East reaching a perhaps crucial stage, it was not the time to launch a new Palestinian *affaire*. The French, despite a torrent of international indignation, released Mr. Daoud and expelled him to Algeria. Mr. Poniatowski was promptly branded a "political amateur" for having him arrested in the first place.

The worst was yet to come and again Mr. Poniatowski was at the center of things. This indomitable man, who had been Mr. Giscard d'Estaing's closest collaborator since 1959 and his chief tactician against the Gaullists, could not resist one last jab at his antagonists. The showdown came over the first election for a 20th-century mayor of Paris.

Giving Paris a mayor was one of Mr. Giscard d'Estaing's earliest reforms as part of a program for the decentralization of power in France. At the time parliament voted the law, in late 1974, little thought was given to who actually would be the first mayor. Then, late last year, some inter-party maneuvering began between the Giscardians and the Gaullists. The titular head of the Giscardian party, Jacques Dominati, wanted the job, but he was totally unacceptable to the Gaullists.

The Gaullists finally agreed on Pierre-Christian Taittinger, who was a former Gaullist rallied to the "presidential majority." Mr. Taittinger, who is the current deputy foreign minister, should have beeen acceptable to everybody, but he was not to Mr. Poniatowski. For the interior minister, the mayor's election was a chance to "exterminate" the Gaullists in Paris (*dératization*). Mr. Poniatowski wanted Michel d'Ornano, a faithful Giscardian.

The rest of the story is known. Mr. Chirac, counselled as usual by Mr. Juillet and Mrs. Garaud, entered the race despite urgent appeals from the government to stop what was seen as a suicidal move to wreck the coalition. The government said that Mr. Chirac would hand the municipal elections to the left. Mr. Chirac said that it was the only way to block the left. The election result was a landslide for the left. Mr. Chirac won only 26 per cent of the first round vote in the capital, enough to make him mayor.

Those elections prompted a deratization of the Barre government, with the exit of all its "political" ministers. The elections also set up Mr. Chirac, as the head of the Gaullists in parliament, as the final arbiter of government policy.

Harder Tone

It did not take long to realize that both the government and Mr. Giscard d'Estaing had become hostages of the Gaullist party. One of the first measures announced after the reconvening of parliament in early April was postponement of the imposition of the capital gains tax—the tax that was the most important reform so far of Mr. Giscard d'Estaing's presidency. That tax, the first French tax on capital, took months to draft, debate and finally vote last year. The postponement was done in one day.

But the vicissitudes of life with the Gaullists also have had their effect on the President. There has been a noticeable Gaullist-style hardening of tone in foreign affairs and a certain erraticism in dealing with the European Economic Community. Mr. Giscard d'Estaing's obstinacy in Rome over the presence of Roy Jenkins, the president of the EEC Commission, at the coming industrial world summit meeting in London, surprised all of France's partners as being even more Gaullian than De Gaulle.

Three years ago, Mr. Giscard d'Estaing was elected on a program of "ending the division of France." His was to be a great center-left reformist coalition that would gradually cut into the strength of the Socialist party. Communism, he said, had entered its "historic decline." France would no longer be faced with the eternal choice offered under the Gaullists, "us or them," "*moi ou le chaos*." It was a noble plan, but it has not worked. What went wrong?

The simple answer is that the coalition on the left proved more durable than the coalition on the right. The evolution of the Communist party under Georges Marchais, particularly since the 22d party congress early last year, assured the survival of the alliance of the left and stopped any defection of the Socialists back toward the center. While on the right, the agitation—personal, political, tactical—destroyed the coalition. The extremists of the left, the Communists, were growing more moderate at the very time the extremists on the right, the Gaullists, were increasing the stakes.

Poor Politician

But one more element cannot be ignored: Mr. Giscard d'Estaing so far has been a poor politician. He could not stop his lieutenants from making a most damaging series of mistakes. He was unable to inspire the nation with any substantial reforms, though much of the blame certainly belongs to the Gaullists. He w unable to find or to keep men that might have assu victory. He enters this electo period almost isolated.

This does not mean that elections of 1978 are lost. Thi still France, a highly conserva nation, and the left here usu loses, whatever the mistakes the right. A municipal elec without too much at stake— which can serve as a warning the government—is quite differ from a national governm where everything is at stake— economy, nationalizations, franc, a new way of life. M over, it would take a lands for the left to win control parliament, where the majo today holds a 100-seat mar

But the election shows e sign of being close. The does not usually win in Fra but seldom before has it into an election in better sh The evolution of the French C munist party has surprised ev one, including other Commu parties. And the Socialists steadily increased their suppo where they expect to win tween 30 and 35 per cent of vote, enough to dominate Communists, they believe.

Nobody can predict what w happen if the left wins. It w have an incalculable effect, just on French domestic p and on the economy, but France's relationships with neighbors, particularly West many, and in international bo such as the European Econ Community and the Atla allisance.

If the left does win, it will have its chance to prove it can overcome its fundame differences, just as the pre majority could not. And left's differences are great, to ing on such crucial areas as fense, Europe, the Common ket, nationalizations and wor self-determination.

As the government's recen periences have shown, it is thing to cover up differences in the opposition, and quite other thing when in power attempting to make policy. coalition's goal for the ne months is to bury its differ enough to try to save the tions. Judged on its past formance, that may be an possible task.

'The French Illness' Is Called Authoritarianism—and Its Acceptance

(Continued from Page 1)

a capitalist situation—it has not attained the market economy and it changes the rules as it goes along. Nor is it in a socialist situation since it does not accept socialism's inflexible rationality.

But this third road often accumulates the disadvantages of capitalism and socialism while it should enhance their advantages.

Social humanism and a business and market economy are compatible only on the condition that they absolutely respect each other: a marriage is a merger of difference. There is no better principle of a dynamic economy than the principle of business and that of the market.

There can be no principle of a harmonious social life other than that of the control of society by society itself. If we keep in mind these two principles, we can go far on a road that would be new and particular to France.

Q—The French system is assailed (most often by U.S. critics) as suffering from too much government control. *Is this a valid criticism?*

A—Yes, it is a criticism that is all too often justified. For the last three centuries, we have tended to believe in the virtues of supervision and control by the administration in every area. Everything is decided according to a rational plan: the economy is made to fit theoretical resolutions: a single truth is imposed on all.

It may be that the main advantage that one draws from spending much time outside of France is not so much what we can learn from foreign countries as what we can learn about ourselves. Foreign countries are like windows where we can see, at the same time, the view that it offers as well as the reflection of our own image.

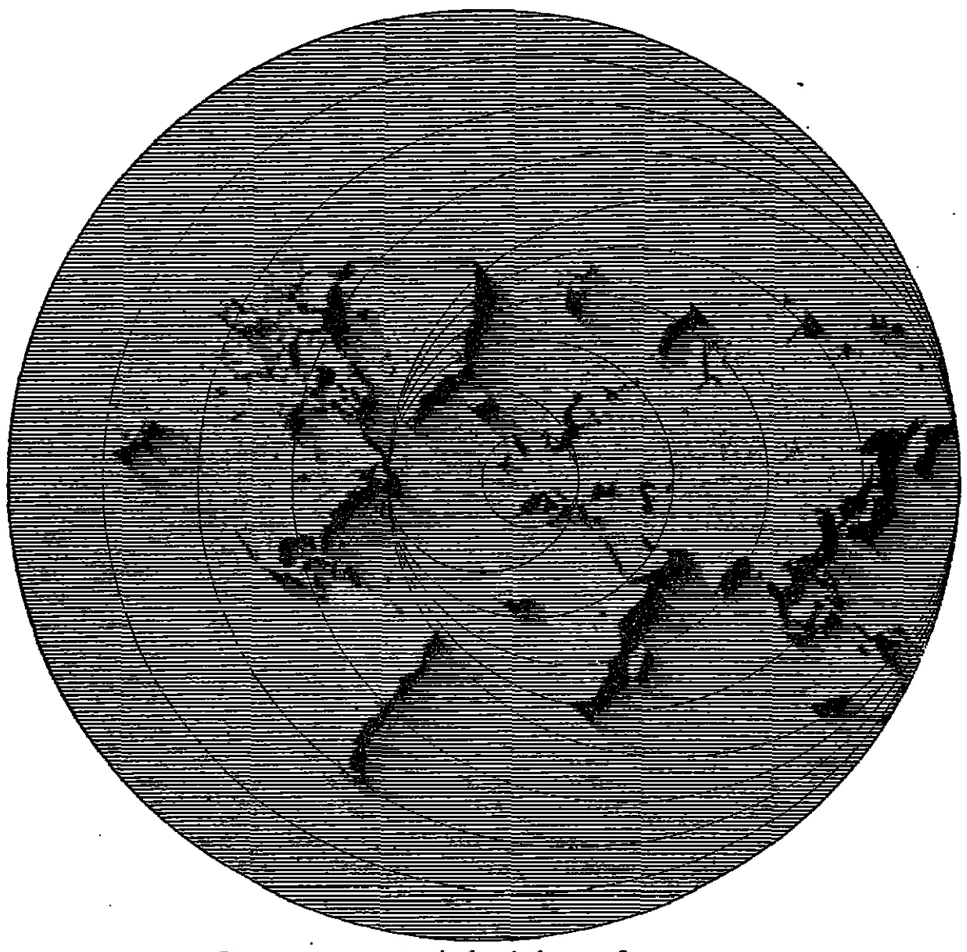
Q—How would the structure of the French economy be changed if the left were to come to power?

A—If the left came to power, the economy would run the risk of skidding out of control. There could be a series of unexpected chain reactions. The Frenchman's tendency to succumb to bureaucracy and central control could be increased. The best of intentions could miss their mark.

It is not by brutalizing this society of mistrust in which we now live that we can transform it into a society of confidence. Alternation of power is undoubtedly necessary to both those who rule as it is to the opposition —and without it, both are menaced by a sense of the unreal. But it is not desirable when it threatens the economy as a whole and when it risks making us withdraw into the old habits from which we are already suffering enough.

French history has clearly shown that French society has been able to—and still can—escape from its own ills. By following a path of good sense, a middle course. France must not be broken down, especially when it can be improved. It has already shown signs of regaining its health and a complete cure can be found for this French Illness without again crushing the nation.

It really is not necessary to burn down the house to roast a pig.



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ɔrganizing of Industry Still a Promise Amid Resistance to Change

hael Parrott

D. — With 76 per ndence on imports rgy requirements, ne of the nations y the 1973 energy very moment when oked as if it might allenge West Ger- major economic ope, its spectacular e to a sudden halt. massive balance-of- it and a sharp in- ationary pressures, t clamped down on nd only to see eco- halted, investments nd unemployment million mark. It completely new in- ures would be re- e were to adapt it- era of costly ener-

were probably the significance of s than most other as the French who o draw up a com- energy policy and o were the first long-term implica- ge in the balance n the industrializ- World countries. to refer back to peeches made by it Valéry Giscard time to see how ench government n. On the global dent suggested an nference to dis- rld order; on the he warned his the need for a with which would ployment without lance-of-payments ese themes were by the French ization Commis- in its reflections 's Seventh Plan

ften happens in randiose theories translated into The government's ckage introduced ce Minister Jean- in the autumn of the crossroads in gement that the promised, and the measures pre- later by Prime Minister Raymond Barre contained little that might solve the structural problems of the French economy. During the next few months the government has promised to help in the restructuring of a few select industries, *but if any major restructuring is* to come, it may well have to await the election of a left-wing government.

Little Achieved

It is perhaps rather surprising to a foreign observer that the French government has achieved so little since the energy crisis. The French state has, after all, traditionally enjoyed considerable powers over the running of the economy; French companies are used to taking a lead from those bright technocrats in government ministries and similar problems have been tackled in the past by the comprehensive planning system instituted in this country after the war. If any government had the means to shake up industrial structures to take into account the new world economic situation, it was surely the French one.

But as every government knows to its cost, the hardest time to restructure an industry is when that restructuring is needed the most. When an economy is expanding fast, an inefficient industrial sector can be reorganized without causing major unemployment problems or imposing unacceptable financial strains. But when a million people are out of work, the budget is overstretched and industry is losing money, it is not easy getting changes accepted, especially when parliamentary elections are but a year away. That is why the government has tended to concentrate on restoring the health of the economy before pushing through the industrial reorganization required in the long term.

There is also a more fundamental reason why so little restructuring has yet been carried out. Contrary to what is generally believed abroad, the French government just does not have the powers and the financial resources to impose structural changes on the economy. In theory, the state is all-powerful in France. Civil servants can make their displeasure felt in the way they apply price controls, fiscal arrangements, foreign exchange authorizations—the whole range of red-tape procedures which flourish in this centralized administrative system. In practice it just does not work out like that. In what remains an *essentially liberal system* the government can do no more than coax and cajole industrialists to follow what it considers to be in their best interests. Differences of opinion can occur within the industry itself, within the banks involved in the operation or within the government ministries themselves. With little more than 15 billion francs available for intervention each year, the government is just not in a position to impose its will on industrialists. The only fields where the state has been able to dictate its own industrial policy have been in sectors which are key purchasers of equipment or where the industry is in such a weak state that its very survival depends on government aid. It is in these two sectors that the French government has been most active in recent years.

Commitment

The period when the French government was probably most powerful was just after the war when the country was recovering from the ravages of the conflict. With key industries such as coal, electricity, aeronautics and transport under state control and much of the reconstruction concentrated on public works, the government's objectives played a major role in the development of private industry. When the first plan was produced in 1947, specific production targets were set for six major industrial sectors. As these sectors depended very much on government decisions, the plan represented a government commitment.

But if the state played a key role in the postwar reconstruction effort, it was not until France's entry into the Common Market and its withdrawal from its colonies that the need for restructuring became evident. With the lowering of tariff barriers French firms could no longer make fat profit margins, financially weak family concerns were falling easy victims to U.S. multinationals, business lost to foreign competitors at home or in the colonies could not always be compensated by increased foreign sales and it was proving increasingly difficult for the country's fragmented industry to cope with the growing cost of capital investment.

The French response to this situation was both global and selective. From a global point of view the government introduced degressive depreciation allowances on investments in 1959, it set up the regional planning organization DATAR in 1963, it removed the fiscal advantages of mergers in 1965, it introdnced a major reform in the banking system in 1966 which enabled deposit banks to assume a much larger role in the long-term financing of industrial investment, and in 1967 it brought in a new joint venture formula called the Groupement d'Intérêt Economique (GIE). The culmination of this policy came in the presidency of Georges Pompidou when the French Sixth Plan gave special priority to the development of French industry, both nationally and internationally. During this period government technocrats encouraged mergers with a view to having at least one internationally sized company in each industrial sector. Only when this had been achieved could France consider international cooperation arrangements within Europe or with the United States.

Gaullist Era

But the Gaullist era will be remembered for its more spectacular actions aimed at keeping France among the leading technological nations. This was the period when French President Charles de Gaulle pushed ahead with his *force de frappe*, developed the national nuclear graphite-gas technology, stuck to the French color television system SECAM and gave the go-ahead to the Concorde. It was then that France committed itself to billions of francs trying to build up its own national computer group CII after General Electric's take-over of Machines Bull, financed Airbus and Concorde to keep a restructured aircraft industry afloat, set up a nationalized oil group Elf/Erap, tried to form a French electronic components industry and maintained an active participation in space research. It was a period that was also marked by a seven-billion-franc program to restructure the ailing steel industry and the offer of costly subsidies to French shipyards in return for a series of mergers.

Most of the restructuring that occurred at that time and particularly in the time of President Pompidou was the work of the industrialists themselves, who realized that French companies could only survive if they became more powerful in sales and cash flow. They were helped by the major deposit banks who were ready to put up the necessary finance and merchant banks like Paribas and Suez who were anxious to make the best out of their industrial participations. Between 1969 and 1971 when French industry took advantage of a profitable period to consolidate its position, the decisions were being taken by the companies themselves rather than by the government technocrats who were counseling them.

During the last years of the Pompidou regime it seemed as if French industry might at last be able to look after itself.

But with the arrival of Giscard d'Estaing to the presidency, there was a marked change in policy. In theory Giscard was opposed to state intervention in the running of the economy.

He disliked the constraints that the plan might impose on government policy, was skeptical of the grandiose prestige projects favored by Gen. de Gaulle and opposed any further encroachment of the state on the lives of French citizens. The role of the government was to provide a liberal atmosphere in which free enterprise would flourish, leaving state interventions to exceptional circumstances when industries faced temporary difficulties or when there was a serious threat of unemployment.

But as things have turned out, the government has been more interventionist than at any time since the early days of De Gaulle.

Important Customer

The most spectacular interventions have come in sectors where the state is an important customer—the nuclear industry, telephones and computers. Here the government has openly sought a restructuring which will assure French control over the industry and maximum export possibilities. In nuclear power the government decided to reduce the industry to two key groups—Framatome, the subsidiary of Creusot-Loire and Westinghouse, was to take over complete responsibility for the construction of all future reactors be they light-water ones or fast breeders, while Alsthom-Atlantique was to have the monopoly of all the turbo-set contracts.

In telephones the government forced ITT and Ericsson to sell some of their French interests to the Thomson group, which now emerges as a major rival to CGE. Although the government is sticking to the national time division technology developed by CGE, the bulk of new orders are now going to the space division exchanges developed by ITT and Ericsson, which are more reliable and offer better export possibilities. In computers the government abandoned UNIDATA in which CII had been associated with Siemens and Philips in favor of a tieup with the giant Honeywell systems group, which already owned Honeywell-Bull. The merger of CII with Honeywell-Bull restored the French computer business to national control and offered new export possibilities, but it left few illusions about France's real independence in this field. Under the deal, CGE emerges as the major French shareholder in the new grouping, while Thomson, which had also had a stake in CII, is to assume responsibility for the mini-computer peripheral sector.

Difficulties

But most of the other government interventions are being taken in industries which have been running into difficulties. In 1974 the government loaned Peugeot one billion francs to take over Citroën, provided Citroën's parent Michelin agreed to merge the company's trucking subsidiary Berliet with Saviem, the subsidiary of the state-owned Renault group. Similar measures are expected to be announced in the steel and shipbuilding sectors. Nationalized groups like Air France, Renault and Aerospatiale have also been allowed to run up heavy deficits.

The key to government policy is, however, to be as selective as possible with the aid that is available. A steady stream of subsidized credits has been made available for companies installing energy-saving equipment, capacities for export, employment-creating factories; cheap loans are given to the smaller and medium-sized companies and generous guarantees are provided for firms ready to export. At the same time the government has been trying to make it easier for companies to obtain the funds needed for investments—by relaxing price controls and holding wages, by making it easier to raise capital on the stock market and by examining the whole question of inflation accounting.

The Role of France in the EEC's Regional Development Experiment

(Continued from Page 1)

the employment situation in the European Community, EEC officials are alarmed that there are still over 5 million people out of work in the Nine. And even though there are signs of an economic recovery in some of the EEC member states, this does not mean that unemployment will fall immediately.

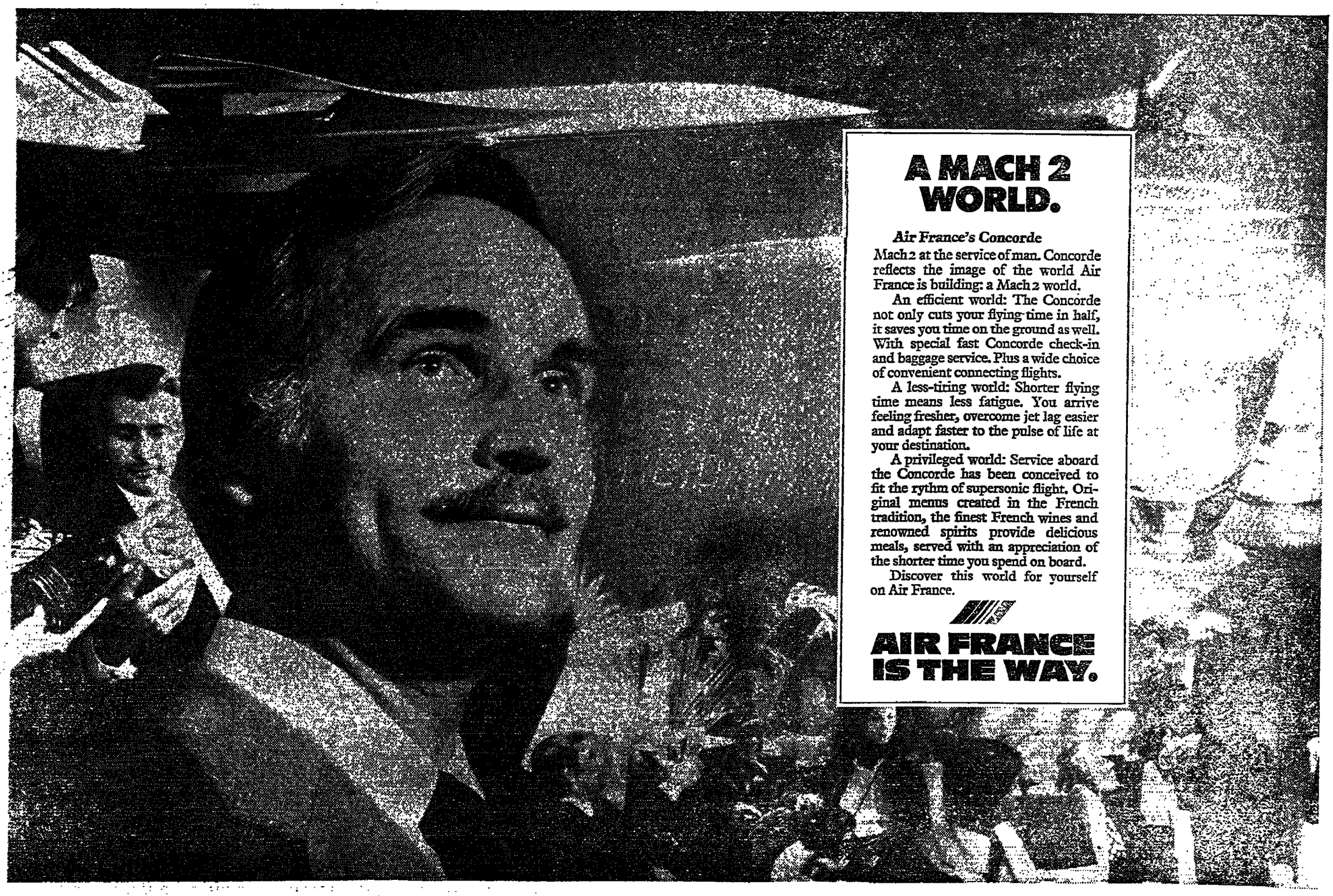
In fact, the Regional Fund in its current form is only an experiment. What is on trial is not its existence, but the form it will ultimately take. The implementing regulation is explicit in stipulating that following commission proposals, the council will take a fresh look at the mechanisms of the fund before Jan. 1, 1978. If the experiment is a success, the council may decide to allot more money to the fund's budget, give it more substance compared to national aids, provide for more direct contact with private investors.

The social fund is the other main instrument used by the European Commission to overcome structural problems in the EEC.

The main activity of the social fund up to now was to improve employment opportunities for workers by subsidising 50 per cent of the cost of vocational training schemes in the member countries. In this way the employment of workers was made easier and their occupational mobility within the community was increased. Since the fund was reformed, more than 2 million persons have benefitted from its retaining aids.

Thanks to the reforms introduced in 1971, the fund became a more flexible instrument for coping with employment problems. By a series of decisions the scope of the fund became progressively enlarged and the following groups of workers became eligible for assistance: Farmers leaving the land, workers in the textile and clothing sectors whose skills must be readjusted, migrant workers, the handicapped, unemployed persons under 25, workers in the underdeveloped regions or regions with declining activities, workers who are forced to adapt owing to technical progress and workers affected by the difficulties encountered by certain groups of enterprises.

In the framework of the last three areas of intervention, women over 35 years and elderly workers were listed among those groups which qualified for retraining aid. But this rapid expansion in the range of the fund's activities has led to certain difficulties such as the danger of a too wide dispersal of the fund's interventions, delays in adjusting to the demands of the labor market and delays in processing applications and payment of aids.



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'Country at Large Is Now the Object of Developmer

By David Cudaback

PARIS (IHT).—In 1976 the French government's commitment to regional development was reaffirmed at the highest levels. "If regional development remains one of our fundamental national policies," President Valéry Giscard d'Estaing told an audience in Angers last July, "events affecting our economic life in recent years—the recession of 1975 and its consequences—have only intensified its importance."

But if the basic, ongoing objectives of regional planning in France—conversion of the economic base in depressed areas, improvement of public services in the provinces, decentralization of decision-making in government and the private economic sector—have remained essentially unchanged, the work of DATAR, the omnibus regional development agency, has been reoriented to meet more immediate and critical needs.

Regional priorities remain, most notably for the troubled French West, North and Massif Central. At the same time DATAR's interministerial resources and services have been streamlined and redirected to place regional development in a broader national context and to use the agency more specifically as an instrument to fight inflation and create jobs.

DATAR has been spared some of the more draconian cuts that characterized the government's 1977 anti-inflationary budget, which itself illustrates the importance the administration continues to place on regional development.

If funds for the agency's programs were in fact cut by over 9 per cent (to 939 million francs) and the amount of its aids and grants reduced by 12 per cent (to 739 million francs), DATAR's share of the civilian budget nevertheless stands at 2.3 per cent, not an inconsiderable amount considering that the larger portion of these funds are used to provide financial incentives. Another 221 million francs, moreover, are to be channeled into regional development projects through the Ministry of Housing and Public Works and the Ministry of Agriculture.

A Luxury?

To critics who suggest that regional development becomes a luxury during periods of economic crisis, DATAR's administrators cite the Seventh Plan's observation that "regional imbalances engender cumulative inflationary processes and are the source of social tensions." Such thinking became policy last October when a special report, presented to the government by the Plan's Commissariat Général, identified overconcentration of population and economic activity as one of the structural causes of inflation and recommended stepping up regional development in order to reduce strains on ever more costly housing, administrative services, transportation and available land in and around large urban areas in France.

This recommendation meshed well with DATAR's original mandate to improve economic and social conditions in the French provinces. It had also been largely anticipated by the fourteen-year-old agency's deliberate reorientation in 1976 toward controlling all urban growth and improving the quality of rural life. "Regional development has ceased to be a sectorial objective in order to become a general preoccupation," Jean Lecanuet, until March state minister for planning and regional development, noted last December. "The country at large is now the object of development," he said.

Finally, in order "to mobilize for employment," in the words of DATAR's director François Essig, the agency last April created a new administrative system to intensify and coordinate the creation of new jobs in the French provinces. Given its largely unparalleled experience and ability in working with a broad range of ministries and other state agencies, perhaps only DATAR could have "mobilized" the French administration as a whole to work toward a single goal.

The CIPE

This it has done through the Comité Interministériel pour la Promotion de l'Emploi (CIPE), which coordinates the new jobs program. The CIPE is jointly administered by the Ministries of Finance and Labor and is chaired by Mr. Essig. It also includes representatives from the prime minister's office and the Ministry of Industry; the directors of the budget, treasury and construction and public works; the secretary-general of the interministerial committee on continuing education and social services; and the director general for credit at the Bank of France. In keeping with DATAR's overall policy of decentralization, most of the essential work of identifying job needs and administering the new program is done locally, at the department level, by the Comités Départementaux (CDPEs).

The CDPEs are headed prefects of each departm work through local gov agencies.

Although conceived as national program, the of the new jobs admin still betrays a bias in particular regional nee emphasis is on creati agricultural jobs in unde ed areas whose economi unable to support indus ploying more than 20 o ple. The program thr the establishment of t or medium-sized indust commercial units that believes are alone adapte conditions. Only those a a maximum population of 20 inhabitants per sq meter and whose p declined between 1968 qualify for special new development aid under gram.

There is an implicit between DATAR's lon structural objective of re ing a balance of econ tivity and investment th the country and the n goal of bringing new and industry to particula in decline. DATAR's been further complicate reluctance of French in large to invest during th period of economic un Faced with these difficu agency in its overall p tended to give priority distressed zones and centrated its efforts areas on either expandir verting existing economi ties. To meet investme DATAR has increasing abroad.

Priorities

The needs of the prio are awesome and Fifty thousand people job market annually in regions of the west Manche department, or average for the rest of try. DATAR estimates to 4,000 jobs must be cre year for the next decac pensate for the declin mining and migration people in the North ar Calais regions. In Lorr version is the key for th steel, coal and textile

While 29,000 new created through the int tion of western region less than half that nu created in recession '75 6,000 through subsidy in the first half of last record is brighter for where the region is heavily on the auto dustry to transform its base. Chrysler France existing facilities in nault and others have expansion and by the e year the automobile s ployed approximately 2 ple in the region. L is profiting from rene German, English and investment and the de June by Saviem to or sembly plant for li utility vehicles will n jobs by 1985.

Foreign investment little in the way of n pansion in 1976 but n during the year with U and Scandinavian firn pected to create 2,00 1977 through new pla tions. Ford, Union Bauknecht and other expanding existing Fr ities.

Investors' Fears Are Recycled in a Half-Speed Economy

(Continued from Page 1)

1 billion francs for energy-economizing investments.

This will be augmented in coming weeks by a new program to assist depressed sectors such as shipbuilding, steel, textiles, pulp and paper.

There are already some signs of a modest improvement on the investment front. The latest government survey on investment plans by private and public firms (excluding public works, construction and some utilities) showed that the companies are planning to spend 12 per cent more than they did last year.

In real terms, after deducting the overall increase in the cost of capital goods, such investments are expected to increase some 4 per cent this year—an improvement over last year's zero real growth but below the targeted 7.5 per cent annual rate. The survey also indicated that the increased spending this year would essentially be confined to three sectors—automobiles, glass and petroleum.

The survey, however, was not at all encouraging regarding employment. It found that executives expect their workforce to decline by 0.5 per cent this year, compared with a 0.3-per-cent rise in 1976—indicating that the bulk of the new investments are being directed to labor-saving equipment.

Overall industrial production so far shows only modest progress, with the index in February up 6 per cent from a year ago but up only 1.6 per cent from the average of the preceding three months. This is sharply below the 20-per-cent annual rate of increase registered in the early months of 1976 and the 10-per-cent rise registered for all of last year.

That spurt last year resulted in a 5-per-cent increase in the gross domestic product—the measure of all the goods and services produced—a sharp reversal from the 1.2-per-cent decline registered in 1975, the nation's worst recession since World War II.

This year, the official government forecast is for an increase of 4.6 per cent, but this is a widely contested figure. Citibank economists, for example, forecast that France could achieve a growth rate of 4 per cent but only at the expense of an inflation rate running at 11 per cent a year (compared with the official French forecast of 8 per cent).

The Organization for Economic Cooperation and Development sees the economy growing at only 3 per cent this year if the target on inflation is kept intact and Société Générale estimates this year's growth at 3.5 per cent with inflation likely to be running over 9 per cent.

Five-Year Plan

The significant aspect of these economic growth forecasts is that they trail badly the official target in the current five-year plan of a 5.7-per-cent annual growth rate. The plan itself envisaged that this rate of growth would not be sufficient to absorb the increase in the labor force through 1980 and that France would enter the new decade with a job deficit of 850,000 to one million.

The planners expected that an annual growth rate of 5.7 per cent would create some 220,000 new jobs a year. But with the official government forecast of a 4.6-per-cent growth rate this year and the OECD forecast of 3 per cent, it is clear that the target on job creation will not be met.

The OECD says three factors are likely to cause growth to slow appreciably this year: the stimuli inciting growth during the past year (restocking and public expenditure) have worn off, government policy has become more restrictive, and both consumers and businessmen have become much more cautious, implying a cutback in spending.

There is also considerable skepticism about the government's ability to contain the upward spiral in prices.

The OECD said: "During the last recession—despite the fall in demand, the appreciation of the franc and the consequent easing of import prices, and the drop in world prices of raw materials—the increase in domestic prices did not fall much below an annual rate of 10 per cent, which clearly proves that more thoroughgoing reforms have to be combined with demand-management policy."

One of the government's major goals in fighting inflation is to contain the increase in wages, which climbed last year about 15 per cent, or about 5 per cent in real terms. So far this decade, "real" wages—the increase over the rate of inflation—have risen 5.2 per cent a year.

'Real' Wages

For the quarter ended in January, the rise in hourly wages was 2.9 per cent, down from the 3.4 per cent registered in the previous three months. The government's aim is to hold the rise this year to the increase in the cost of living—meaning zero increase in "real" wages.

This is still being negotiated with the unions, but it is widely anticipated that zero growth is not attainable. Electricité de France offered its workers an increase representing a rise in real purchasing power of 1.9 per cent that was rejected by the larger unions but is still under consideration by the others. Railway workers have rejected an offer of a 1.7-per cent rise in real purchasing power.

The outcome of the wage bill is critical as the only way the government can establish control over its expenditures is to bring public-sector wages under control. The pattern, of course, will also affect private industry, but the problem there is less severe as increases in productivity can be achieved to offset wage increases.

Trade Deficit

Nevertheless, the wage bill affects the level of corporate profits and thus the ability and willingness to make new investments. It also affects the ability of French goods to compete in foreign markets.

The trade deficit last year was a massive 21 billion francs (about $4.2 billion)—the result of a 32.6-per-cent increase in imports outpacing the 20.3-per-cent rise in exports. There were special problems. The drought not only cut the volume of agricultural exports but forced France to import foodstuffs.

In addition, the franc dropped some 10 per cent against the dollar, increasing the French import price of raw materials billed in dollars.

So far this year, the franc has held steadily at just under 5 francs to the dollar even after the sweeping Socialist-Communist victory in the March municipal elections. This was achieved without any overt heavy intervention from the Bank of France.

Bankers offer several explanations: To some extent, the central bank was intervening but through other intermediaries, such as the nationalized banks. Another support element derives from the heavy pace of international borrowings by various state agencies. These borrowings of dollars, Deutsche marks and Swiss francs are aimed at enabling France to finance its balance-of-payments deficit.

The state agencies who actually do the borrowing themselves have almost no need for these foreign currencies and convert them into francs—thereby replenishing the Bank of France's holdings of foreign currency. Some bankers believe that the central bank had orchestrated the repatriation of these borrowings into francs to coincide with the anticipated weakness of the franc in the post-election period. This assured a demand for francs at a time when selling was expected to be heavy.

'Hot Money'

When the franc did not weaken, speculators began to cover the positions they had taken in expectation of a decline.

At the same time, interest rates in the United States and West Germany were easing slightly, attracting interest-sensitive "hot money" to stay in francs.

But as interest rates elsewhere begin to climb, pushed up by the economic revival, and as the rate of inflation here is expected to considerably outpace the level in West Germany or the United States, a number of analysts see the franc weakening in coming months.

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...he Unions, Agreed on the Problems, at Odds on the Solutions

...es M. Nelson
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...y concerned about ... maintenance, the ...s advocate the idea ...ationalisations and will support the action only as far as it is committed to the Common Program. Alternatively, the Socialist party has proposed major state participation in the auto and steel industries rather than outright nationalization.

While the CFDT is quick to assert its independence from party direction, it takes a softer line in granting that restructuring is necessary in several industries. But the union is prepared to go along with government-private sector solutions as long as reorganizations are discussed openly and are known in advance. The union's central demand is that it have veto power over projected job cuts and it insists on worker retraining for alternate employment.

The announcement earlier this month that nearly 10 per cent of steel industry jobs, or 16,000 positions, would be eliminated by 1979 with most of the impact to be felt in the Lorraine region provides a microcosmic look at current union tensions and a possible guide to their future action. The immediate union response was to hold a demonstration in the Lorraine area and in Paris, in which all major unions participated. But the CGT and CFDT are debating what long-term strategy to follow.

The announcement that France's first two steelmakers, Usinor and Sacilor, would embark on massive dismissals was a prime example of union exclusion from industry reorganization plans. The unions have asked for a tripartite meeting with government and industry leaders to ascertain the major outlines and subsequent stages of the "steel plan."

Catalytic Agent

The CFDT hopes to use the Lorraine event as a catalytic agent to set precedents in union-industry agreements, while the CGT is attempting to use the incident as a vehicle to assert its primacy in union activities on a national scale. The CFDT, however, is unwilling to be considered an adjunct to CGT initiatives, though it will be at a disadvantage since the Northeast is one of its more poorly organized regions.

The CFDT would prefer to call strikes to dramatize one or two specific objectives in negotiations with the government. The CGT, though more inclined to advocate widespread national work stoppages, is eager to show a responsible position in controlling indiscriminate demonstrations and proposing solutions in as complex a field as the steel industry.

In its drive to dominate the French worker movement, the CGT puts first priority on job preservation, and only secondarily considers industry's competitive position and profitability. The CFDT, however, considers corporate health essential and is aware of the fragility of the economic situation. While both unions would like to demonstrate a certain independence from their respective political cohorts, party leaders are sensitive to overeagar union actions that could dissuade voters from choosing the leftist ticket next year.

The steel industry predicament is a useful case in point to compare CFDT and CGT attitudes toward restructuring. CFDT economist Hubert Prevot explained the current difficulty as a "failure of the sector to integrate more closely with its client industries. The steel development plan of the last ten years was poorly conceived and problems could be foreseen, but little was done until the onset of the crisis in world markets." Although West German wages are higher, Mr. Prevot pointed out, their steel products sell better. Fault must be laid with French management, he concluded.

Mr. Prevot would like to see provisions for reconversion strategies when companies discontinue certain product divisions, financed by a pooling of industry funds and state aid for a period of repositioning. Regional funds for worker retraining and delayed tax allowances would mitigate the effects of change for both worker and manager. Similar concepts, he said, could be used in other industries.

The CGT contends that economic reality shows French industry generally is losing ground to foreign competitors at home and abroad. It is opposed to what union economist Philippe Zarifian called the government plan "to integrate French groups into the multi-national strategy of leading industrial powers." The price for France to secure a position in world markets, he continued, is to abandon certain product sectors.

Industry priority must be assigned to reconquering domestic markets and reducing import dominance, the union argues. "As long as France deals from a position of weakness at home, the essential export goals of the Seventh Plan remain fanciful," Mr. Zarifian said. At present, the government's restructuring efforts have made French industry an "auction place, and discounted at that."

An Essay on Management in France—Does It Work?

By Jonathan Story
and Michael Parrott

PARIS (IHT).—In no European country has American management been embraced so enthusiastically as in France. For over a decade French graduates from the Harvard Business School were the blue-eyed boys of French industry, *le management, le marketing* and *le cash-flow* became part of the French vocabulary and U.S. corporations the model of business success. Today that has all changed. A Harvard degree is now just one of many postgraduate business diplomas, U.S. business methods are no longer considered infallible and new social problems are preoccupying French employers.

The whole love affair with American business methods started in the 1950s when streams of French businessmen poured across the Atlantic to sit at the feet of sales guru Jose Trujillo, ambitious young graduates from the *grandes écoles* started enrolling at Harvard and Stanford and Olivier Giscard d'Estaing, the brother of the French President, set up France's own version of Harvard at Fontainebleau's INSEAD, or the European Institute of Business Management.

The vogue for *le management* was further strengthened in the 1960s. U.S. multinationals setting up in Europe were looking for local managers, while their French rivals were calling in Anglo-Saxon accounting groups and consultant firms in response to growing international competition. One of the main themes of "The American Challenge" of Jean-Jacques Servan-Schreiber was that Europe would never be able to compete with the United States unless it adopted American management techniques.

The French enthusiasm for U.S. management techniques was the more surprising in that French employers had until then been among the most conservative in all Europe. In a completely hierarchical system in which promotion was decided more by education and family connections than by performance, the executives or cadres ruled their companies like feudal overlords.

In a protected market these graduates from engineering schools were more concerned with turnover, production and technology rather than profitability, marketing, selling, budget control and long-term planning which are such important elements of the U.S. business approach. Paternalistic and secretive, more concerned with status than with money, strong on theory but weak in practical experience, French managers were just no match for the aggressive products of the U.S. system.

The sudden interest in U.S. techniques coincided with a growing awareness of the need to restructure the French economy. It was due to this U.S. influence that French companies set up profit centers, decentralized management responsibilities, tightened up budget control, developed marketing and selling techniques and evolved long-term planning. Undoubtedly these changes helped France recover its industrial strength, but according to one U.S. management consultant here, "There was a lot of talk about new systems, but in practice things have gone on very much as before. It has been difficult to break down traditional attitudes."

If innate conservatism has been the main reason why American management ideas have not been easily accepted, there have also been growing doubts among French employers as to whether American methods are that good after all. The first reservations were expressed in the early 1970s when the U.S. economy seemed to be floundering at a time when French industry was working flat out. The reputation of U.S. management skills fell with the dollar. But more important was the realization that U.S. techniques did not necessarily apply to a country with a much more complicated social structure and a less liberal economic system.

"Managers soon realized that one could not just apply a Harvard case study to a French situation," says Jean-Yves Alquier of the executive search organization Eurosearch. "In France managers cannot close a plant, fire workers, increase prices or change policy at a moment's notice."

The growing demands in France for worker participation, better factory conditions and greater job security have made employers realize that the more brutal U.S. methods just won't work in this country. It was in response to the May 1968 student upheavals that some of the more liberal members of the French National Employers Association (Patronat) set up *Entreprise et Progrès*, a pressure group aimed at improving relationships between workers and employers. With the arrival of the economic crisis many of the ambitions of the more liberal employers have been shelved, but with unemployment over the million mark companies are now giving greater emphasis in their recruitment to men who have experience in handling social problems rather than to bright graduates offering the miraculous solutions described in business administration textbooks.

INSEAD: A Top Business School

PARIS (IHT).—Probably the most important business school in Europe is the Institut Européen d'Administration des Affaires—better known as INSEAD—situated not far outside Paris in Fontainebleau. With a full-time staff of a little over 40, first-class buildings and library, and an annual budget of $5 million this is the only international establishment of its kind in France.

Last year INSEAD acquired a new dean or head of studies, Uwe Kitzinger. German by birth, British by nationality, Mr. Kitzinger came to INSEAD with a wealth of European connections from his previous posting as a senior adviser at the EEC Commission in Brussels.

Mr. Kitzinger unashamedly advertises his liking for this influential post. "I am enjoying this job a great deal," he says, "and I intend that INSEAD should be easily the best academic institution outside the United States in the management field."

How is the task to be done? "Teaching is not enough, we also have to do research," says Mr. Kitzinger, whose previous career included a dozen years of teaching at Nuffield College, that part of Oxford University which is best known for research in such fields as applied political studies.

"Secondly, we have to involve ourselves actively in problem-solving. We have to be in close touch with such organizations as the EEC and the OECD and also companies, and at the same time we have to work in the Third World."

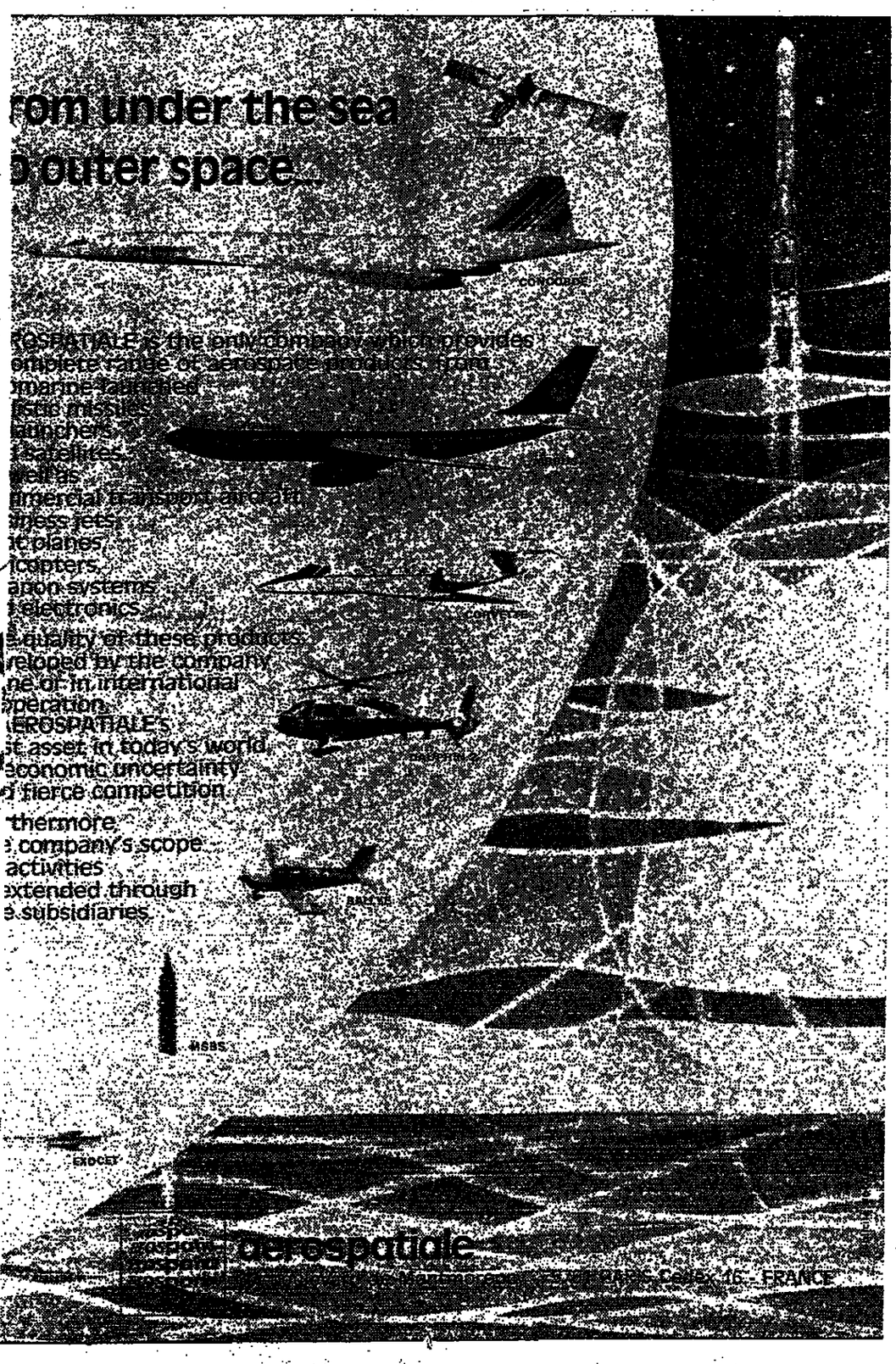
In September INSEAD is holding a seminar in Singapore on the transfer of technology in conjunction with the EEC Commission. It is also doing work in Indonesia, and stretching far beyond the geographical limits which bound the school during most of these nearly 20 years since its foundation.

Credit for the new directions taken by INSEAD goes largely to the vigorous dean. Mr. Kitzinger, a fast-talking and strong-willed personality, has at the same time brought in cost controls that were needed in an establishment whose expenses have ballooned with inflation.

In 1976-77, belying forecasts that the school would have budgetary problems, Mr. Kitzinger is working on a budget of Fr. 25 million, of which Fr. 17.5 million will have been earned and some Fr. 8 million obtained from outside contributions, largely from big companies.

The expenses of the school, which has 216 MBA students this year, are considerable. But the MBA work accounts for only 40 per cent of INSEAD's teaching activities. Another 30-plus per cent goes on its Center for Continuing Education, which takes some 60 people a fortnight. The rest of the load consists of "executive development programs," including a four-week course with Stanford University in the summer for top businessmen.

—J. S.



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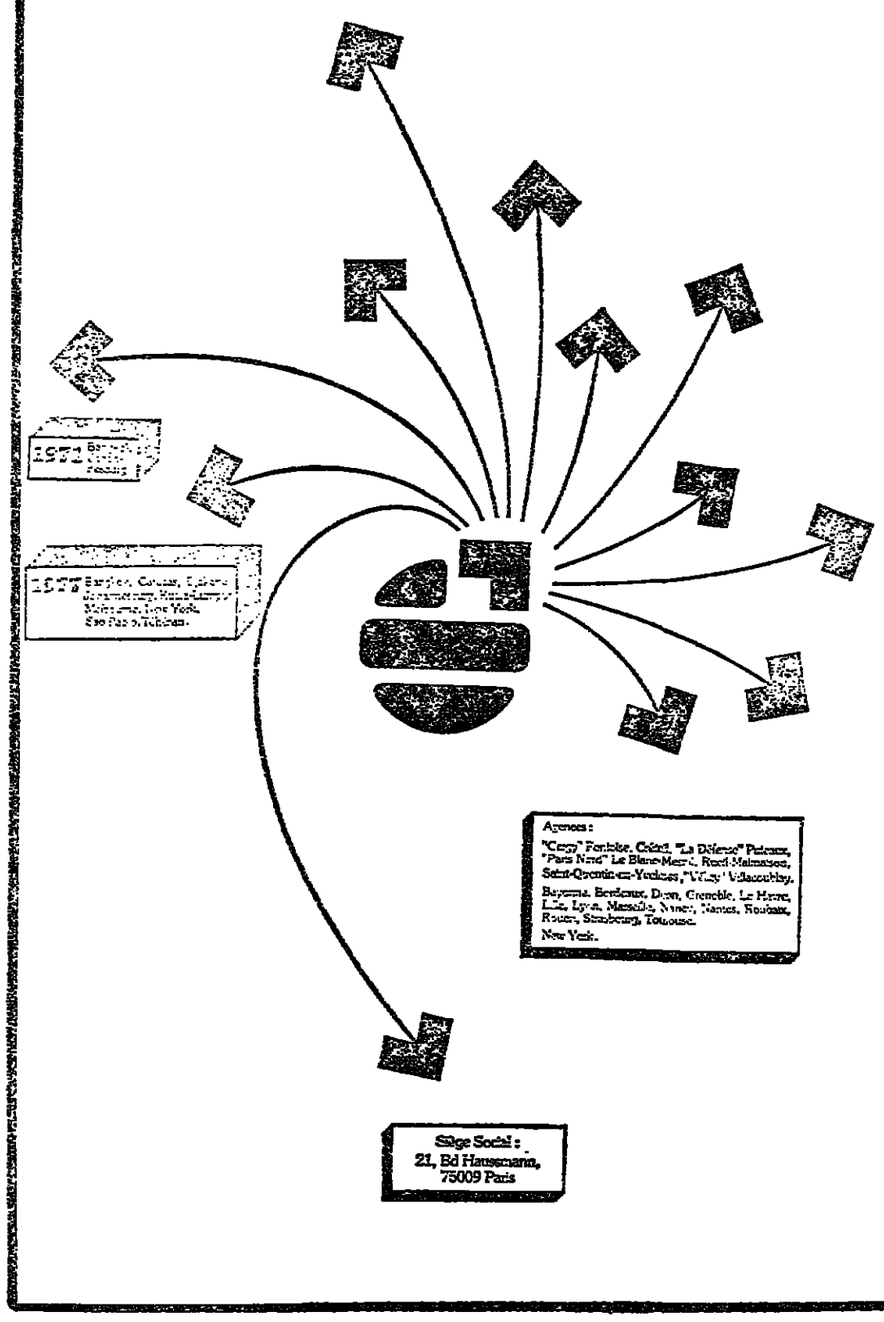

Banks' 'Massive Role Is That of Lender' to Indust

By David Cudaback

PARIS (IHT).—The progressive deterioration of French industry's capacity for self-financing, coupled with the transformation of the asset structure of French banks, has over the last decade catapulted the banking system in general and French commercial banks in particular into the leading position as provider of industrial financing. "For industry," observes a spokesman at one nationalized bank, "our massive role is that of lender."

Medium and long-term non-refinanceable credits from the banking sector accounted for just over 36 per cent of longer-term external financing for French business and industry in 1974—or more than twice banking's percentage just four years earlier. During the same period the amount of capital raised through new stock and bond issues declined by 17 per cent to meet only a third of industry's external financing needs by 1974. The state's contribution increased slightly in four years, to 11.9 per cent.

The trend is likely to continue over the next three years. According to Seventh Plan projections, French business, industry and services, both public and private, will need to borrow 111 billion francs in 1980. Virtually the same lending ratios are expected to prevail that year, with the banking system again providing 37 per cent of the needed capital.

A closer examination of the evolution of commercial banking's role since 1966 reveals the spectacular growth of these institutions as long-term lenders. In 1965 French commercial banks provided a total of 10 billion francs in long-term non-refinanceable credits to business, industry and private individuals. By 1975 these credits had exploded to more than 24 times this figure. Classic medium and short-term lending during the same decade posted less than a fourfold increase.

Changing Pattern

The changing pattern of commercial bank lending in France, as well as the institutions' growing involvement in industrial financing, is directly related to the comprehensive banking reforms of 1966. The new system —by eliminating interest payments on demand deposits, by allowing banks to hold deposits for an indefinite period and by freeing interest rates on savings in excess of 200,000 francs held for more than two years—stimulated the growth of time deposits (which rose from 12 per cent of all deposits in 1958 to over 40 per cent last year).

This significant increase in long-term, relatively stable resources in turn boosted enormously commercial banking's capacity for long-term lending.

At the same time, as part of a larger program of diversification and modernization, commercial banks created special industrial finance departments like Société Générale's Service de Fusion et Regroupement and the Crédit Lyonnais Département des Affaires Industrielles. These are essentially counseling services for French business and industry, specializing in what the French are fond of calling "financial engineering," services which had been offered, with considerable success, only by *banques d'affaires*. Further blurring the frontiers that had traditionally distinguished them from *banques d'affaires*, French commercial banks have expanded, through acquisitions, into investment banking. Because these investment bank subsidiaries—Banque pour l'Expansion Industrielle for the BNP, Société Générale's VALORIND and Crédit Lyonnais's Société de Banque et de Crédit—are not subject to restrictions limiting a commercial bank's interest in any one company to 20 per cent, commercial banking has also been able to increase its participation in industrial share capital.

The commercial banks argue that they are particularly well suited to this industrial financing role. "*Banques d'affaires* are too specialized," suggests a commercial bank economist, "too tied to special clients. This is not the case with commercial banks and I think this gives us a psychological advantage." An industrial financing expert at another nationalized bank puts it more succinctly: "We are the *banquier de tout le monde*, everyone's banker."

The case is perhaps overstated and does overlook those dramatic if somewhat isolated examples where *banques d'affaires* like Lazard, Paribas and Suez have engineered important mergers and acquisitions within French industry as well as participating in efforts to restructure the steel, paper and other industries.

In the area of financing restructuring, commercial bankers generally concede that their role is that of *entremetteur*, or middleman, between government and industry or between prospective parties to a merger. Where there is initiative from banks in this area it tends to come from the *banques d'affaires*. "This is our métier, our vocation," says a spokesman from Paribas. "It's not just a question of involvement in the final phase, of providing long-term capital. We're also there at the beginning, to initiate, set in motion and negotiate mergers and acquisitions: Our job is to conceive and then convince."

There is a certain amount of debate as to who is ultimately the most appropriate arbiter of industrial financing in France and over the choice and methods of funding sectors to be restructured. Many bankers argue that the government's approach is in fact based less on long-range structural considerations than on economic and political needs of the moment. They point out that banks, on the other hand, must always be concerned with profitability. "The government's approach is essentially macroeconomic," says one Pari "while ours is microecon

"Restructuring," adds banking source, "requir on a selective basis." If banks are used, he cont is because they are k study precisely the use whereas state distrib funds is often wastefu the government does *these instruments of an*

A private investment France insists that "it is "to live' with industry ness to understand t human, organizational problems. This isn't t job. But if the state is pared, in terms of obje means, it is not a q opposition or competi tween banking and th ment]. We need state tion for what we do cooperation when our are insufficient."

It is equally clear tha is just as dependent on to help finance its policy. The Banque de estimated that the cost ing by half the indeb troubled French indust would be 60 billion fr fifth of the state budge

Stocks: Victims of a Series of Development

"Our backs are against the wall," asserts one Paris stockbroker. "We work in a hostile environment that wants to destroy the profession. To keep our business alive, we must have backbone, financial means, creativity and flexibility."

This view, to one degree or another, is shared by a growing number of French stockbrokers. It is easy to understand why. In 1976, a year that featured withdrawal of the franc from the European snake, drought, capital gains tax legislation, persistent inflation and political uncertainty, share prices dropped by 17 per cent and the average daily volume of transactions fell by more than 5 per cent. For the 58 Paris brokerage firms—there were 80 in 1962—this translated as a 4 to 5-per-cent drop in earnings last year at the same time that operating expenses were climbing by between 15 and 20 per cent. And first-quarter 1977 turnover for brokers (whose commissions have remained fixed despite inflation) was 35 per cent below that of the same period last year.

As a result, 28 firms operated in the red in 1976 and even the 30 profitable brokerage houses made less than the accumulated deficit. "Nineteen seventy-seven will be worse," confirms another broker.

Nor do politics give the Paris broker cause for optimism as he works in what is undoubtedly the world's most politically sensitive stock market. Continuing leftist electoral success simply serves as a reminder that nationalizations called for in the opposition coalition's Common Program concern 40 per cent of the Paris Bourse's stock list.

Critical Report

The stockbroker, along with a number of other professions in France, is also the object of a highly critical report prepared last year by a special committee on income of the Commissariat Général of the Seventh Plan. The report "strongly deplored" the "monopoly enjoyed by certain professions... which confers... on certain of their members privileges that can be considered abusive." French stockbrokers do in fact have a monopoly on stock trading, granted them by Napoleon in 1807.

The report goes on to score "unjustifiable [but unspecified] professional incomes" and, at a time when many stockbrokers feel their only salvation is consolidation into a smaller number of larger firms, criticizes "the elimination of competition within certain professions."

Given what one Paris stockbroker terms "a terribly unfavorable situation," there has been over the last two years a growing realization of to reform the operatio Bourse and to restru profession itself from wi is regarded as essenti tracting a larger numb vestors and to making market a more effi stitution—and in turn ing brokerage a more fession. "New ideas a tives," observes anoth "never come from the the authorities. They come from younger p are today doing busine that doesn't strictly co the regulations."

New General

This mood of chan ticularly prevalent a new generation of you sive *agents de change* joined the profession the year that reforms brokers to expand t

(Continued on next

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...vestment Abroad: A Low-Risk Venture Into Industrialized Countries

By Ames Nelson

...IS (IHT). — Investment ...road has been a long ne- ...l aspect of French indus- ...olicy, but the search for energy supplies and the ...ment strategy to build ma- ...porations to multinational ...e strong inducements to ... the deficiency.

...while France is in the fore- ...f the current race to plant ... flags in the United States, ...nly agreed to be today's ...attractive investment op- ...ity, the French lag far ... their major trading com- ...s in spending abroad.

...ll French foreign pres- ...nevertheless, is substantial ... country ranks fourth in ...tional trade after the States, West Germany and ...narginally behind Japan ...early $60 billion in exports. ...port trade has been the ...nal bastion of French ...s operations, often favor- ...e direct expense of longer ...otential return on invest-

...h investment overseas up ... 1973 oil crisis averaged ... a five-year period less ...lf the annual rate for ... institutions, slightly more than two-thirds of the Japanese totals and less than six per cent of American investment levels abroad. Since that time, net direct investment ex-France, as measured by the Ministry of Finance, has jumped 60 per cent to an estimated 6.7 billion francs in 1976.

New Regulations

The increase, however, is a sharp understatement of the true capital movements initiated by French investors since international and local market financing, as well as subsidiaries' internal funding, are not included in government figures. In addition, new regulations introduced last July, in part to control capital flight, require investors to secure at least 50 per cent of investment funds from international money markets or host country sources.

For example, French investment last year in the United States as a percentage of the ministry's provisional figures comes to about $250 million, while statistics from U.S. government and international banking sources place the total at an estimated $1.4 billion. And for 1977, investment abroad by French oil companies that should approach 10 billion francs from all sources is expected to total just 1.5 billion francs in ministry statistics for funding ex-France.

Energy sector investments mainly in search of oil and uranium account for nearly half of overseas allocations, followed by metals and chemicals spending for industrial projects. Commercial investments by banking and service industries, which are favored by government regulations and often support export efforts, approach 25 per cent of direct funding totals.

The noticeable increase in French overseas investment activity is strongly directed toward industrialized countries, particularly Common Market partners (and especially Germany) and the United States. Between the periods 1968-69 and 1974-76, French investment has quintupled in the United States and doubled in the EEC, while investment in other OECD nations and the rest of the world has dropped from 79 to 47 per cent of total direct investment, according to government officials.

"The French are investing abroad now to avoid risk," the chief economist of a leading bank here said, "so Asia and Latin America are virtually excluded." And although France remains the largest investor in Francophone Africa, absolute numbers are low and new project interest has waned there, too, he said.

"America is now the key investment market," a Finance Ministry official explained, "because otherwise French industry will not be competitive. It is a question of survival." And according to another French investment banker, no major firm would admit it was not interested in putting funds into the U.S.

Many of the French giants are already established in the United States or have announced major initiatives, such as the largest single French foreign investment package at $600 million planned by Michelin Tire to build five plants as a basis for attacking the American market. Imetal, Creusot-Loire and Pechiney Ugine-Kuhlmann have all committed substantial funds in the last two years to acquire control or ownership of U.S. firms in the metals industry. ELF Aquitaine and Cie. Française des Pétroles have bought companies and mining rights, while St. Gobain-Pont à Mousson in glass and construction and Lafarge in cement are the most prominent French bidders in their industries.

The motivation to invest in the United States is prompted by a healthy economic climate with moderate inflation and political stability as a guarantee against expropriation. Profit margins are higher and earnings repatriation is assured, while management prerogatives for reacting to market or labor conditions are more extensive.

By contrast, domestic investment in France has stagnated during the last two years as corporations have been burdened by inflationary costs and employment maintenance regulations in the face of flagging demand. And as confirmation of greener pastures abroad, foreign investment in France dropped more than 20 per cent in 1975 from a high the previous year and observers expect the trend to be confirmed for 1976.

The threat of the left coming to power in legislative elections less than a year away also has played a role in steering investment elsewhere. Although nationalization of France's top nine multinationals is a campaign promise of the united Socialist-Communist platform, bankers, executives and government officials do not believe the element of political uncertainty weighs more heavily than other economic factors. Contrary to popular belief, massive transfer of corporate assets has not paralleled the trend in the flight of personal capital.

Despite the incentives to invest overseas, traditional inertia pervades corporate and government attitudes. French administrations long have regarded foreign investments with suspicion and have discouraged capital export to combat France's persistent balance of payments deficit, in the opinion of an international specialist at the CNPF, the French management association.

As a rule, French firms rely on export revenues to a greater extent than their international competitors, and a long-standing debate continues whether foreign investment reinforces or replaces exports. Despite government guarantees against foreign expropriation for firms investing abroad, it has been only in the last five years that policies of "near penalizations" have been abandoned, he said. Still, he contended, the government offers few preferential regulations to encourage foreign investment.

"The traditional policy of maximizing exports with minimal investment continues," the executive said, "but in global markets, direct export has limited possibilities." Although the government raised credit allocations for domestic projects leading to higher export sales, middle-size companies for which the fund is designed have few alternative resources and even less access to international markets to finance investment abroad.

The CNPF is attempting to convince the government that export promotion at the expense of foreign investment is incompatible, the official said; and the association is waging an education campaign to erode the psychological reluctance companies have about investing abroad.

okers' Backs Are Against the Wall

...ed from preceding page)

...ctivities to include port- ...agement, financial anal- ... other services. In the ... decade management has ... at half the brokerage ...n Paris, with newcomers ... armed with degrees in ...siness and economics. ...influence is reflected in ...ntly elected board of gov- ...f the Paris stockbrokers' ...m (the Compagnie des ...ie Change, the adminis- ...body of the Bourse), ...e average age is 42. Most ...ntly, Yves Flornoy, a ...e champion of reform, ...lected chairman.

...gh the effort of Mr. Flor- ...i others important re- ...s the operations of the ...change have already been ... During the course of ... Bourse will become a ...arket, with the phasing ...ne forward market in its ...form in favor of one cash market modeled after the New York Stock Exchange. Continuous trading, instead of the two-hour trading period, is expected to go into effect within six months of the change-over to a single cash market.

Electronic distribution of stock quotations has also passed from the study stage and should be a reality by mid-1978. Mr. Flornoy and his team are also studying ways of making options trading, introduced in France eight years ago, resemble more closely that of the Chicago Board of Options Exchange.

Because commissions in France are more lucrative for cash transactions, for both stocks and bonds, the unification of the cash and forward markets should benefit brokers financially, especially if they are successful in their current negotiations with the French ministry for an increase in commissions and a simplification of the multi-tiered commission structure.

The larger concern for the new breed of Paris broker, however, is the creation of bigger, more modern firms. "I think that New York brokers would have disappeared years ago," says Alain Boscher of Alain Boscher et Cie., "if it hadn't been for Merrill Lynch. They pulled the whole brokerage profession out of traditional business and adapted it to a more competitive world. That's what we need here. Very large firms able financially to support new concepts and new ideas."

Brokers like Mr. Boscher, 48-year-old Patrick Sellier and others have embarked on an ambitious program of expansion and acquisition that is expected to reduce by a dozen the number of brokerage houses by the end of the year (and the number employed by the profession from 3,500 to 3,000), eliminating firms that don't make at least 10 million francs a year in commissions.

Exports: The Fuel to Restructured Industry

PARIS (IHT).—If restructuring of the national productive apparatus is to be the vehicle for assuring French presence in essential industries and major world markets, export expansion can be considered the fuel with which the objective may be achieved.

Export development is one of the chief priorities of the current Five Year Plan, which has set a goal for trade surpluses of 40 billion francs in industrial goods and 20 billion francs in agricultural products by 1980. And Prime Minister Raymond Barre, formerly a Minister of External Trade, has declared his main objective to be the restoration of France's trade balance by year end.

It will be no easy task, as 1976 trade results showing a deficit of 20.5 billion francs were one of the more unpleasant surprises the government had to face last year. Although exports rose by 17 per cent in value over 1975, the moderate economic recovery brought a 31 per cent spurt in imports.

Trade projections for the Seventh Plan appear to be badly miscalculated in view of the first year's performance. Despite Mr. Barre's declaration, an expected first-quarter deficit in annualized terms would reduce the imbalance only slightly. OECD economists and Trade Ministry officials predict a deficit near 10 billion francs at best, and experts at the national statistics institute (INSEE) privately project a deficit of closer to 15 billion francs for 1977. In effect, little improvement is foreseen in real export growth and import reduction when the drought and currency devaluations of last year are discounted as one-time phenomena.

Deficit

Government officials account for half of the 1976 deficit by citing a 4-billion-franc cost in lost agricultural exports and higher energy bills due to the summer drought, plus a 6-billion-franc cost in higher import prices as a result of currency depreciation after the March decision to withdraw from the European parity agreement, or "snake."

The most noticeable impact was a five-fold deterioration in what had been a relatively small trade deficit the year before with Common Market partners, which account for nearly half of France's export sales. And to its embarrassment, France became the only European country to register a deficit with demand-hungry Spain.

The erosion of traditional client markets is most starkly reflected in a 6-billion-franc decline in the export of consumer goods, automobile sales excluded. Autos did perform well in a record production year; but electronics, furniture, shoes and clothing lost ground to competitors. The brightest spot in the French export picture was the healthy pace of factory turnkey projects and foreign construction contracts. But increasingly, French export trends are turning toward capital goods trade with developing nations as consumer goods trade with industrial partners declines as a percentage of total export.

The prospects of increased reliance on third-country markets is disquieting to both the government and the business community since risks are greater in relatively unknown and distant countries and competition is often more intense to exploit new markets.

A prime objective is to strengthen French trading companies in an effort to handle a greater share of transportation and shipping requirements of exporters. Less than 20 per cent of French goods are shipped abroad by national firms compared to more than 40 per cent for German exporters and more than 50 per cent for Japanese overseas operators. The goal is to reduce by half the deficit in invisible trade, or services, to 5 billion francs by 1980.

Most recently, the government announced a 3-billion-franc addition to an existing 5-billion franc fund of preferential credits for domestic investments leading to expanded export sales. The credits are designed particularly to encourage small and medium-size companies to develop or expand overseas business.

Although government policy strongly favor export operations over foreign investment projects, the depth of French export prowess is deceptively thin. Figures from the French Center for External Trade, a promotional arm of the Trade Ministry, reveal that of 40,000 companies engaged in export 1,350 firms account for 90 per cent of trade, 327 corporations cover 80 per cent and just 35 French multinationals contribute 40 per cent of total export sales.

In the case of the top 300 firms, export sales comprise nearly 40 per cent of company revenues, which Trade Center president Pierre Loygue fears will make these corporations overdependent on foreign markets. Yet the domestic French market is often too limited in demand potential to allow major companies to reach the critical mass needed to compete in international markets. "They are condemned to either export heavily or to concede market positions to foreign competitors," he warned.

Compounding the problem of structurally insufficient domestic demand that drives major firms abroad is the tradition of government price controls that restrict national producers' margins but do not affect importers' margins. French buyers and distributors aggravate the problem by frequently selecting a comparably priced foreign product at wholesale to assure greater profitability.

With high penetration levels of foreign competitors in several domestic market sectors, many national industries do not enjoy a solid base from which to launch export ventures, a trade association executive pointed out. Thus, firms that are poorly placed at home and may be vulnerable abroad make industrial restructuring difficult or impossible, he said, and many sectors may be permanently crippled.

—A.M.N.

UBAF

NION DE BANQUES ARABES ET FRANÇAISES - U.B.A.F.

BALANCE SHEET AS AT 31.12.1976
(IN FRENCH FRANCS)

.SSETS	1975	1976
ish in hand, with Banks of Issue	1,250,004	11,380,481
...lances with Banks and non-banking institutions ...mitted to the money market	6,832,485,582	8,620,068,953
...easury bills and securities received as collateral ... paid in cash	–	126,000,000
...edit to customers - Bills of exchange	627,476,109	1,033,402,015
...edit to customers-Overdrafts	81,632,016	227,308,440
...spense accounts and sundries	348,845,479	483,232,141
...ndry debtors	4,723,299	6,537,323
...bility of customers for acceptance as per contra	174,125,474	21,806,018
...curities portfolio	28,114,239	78,708,440
...vestments in affiliates and participations	69,832,504	119,272,714
...ed assets	–	4,799,327
...ndholders	30,000,000	
Total Assets	8,198,484,706	10,732,515,852
IABILITIES		
...lances of Banks of issue, other banks and ...n-banking institutions admitted to the money market	6,924,177,400	9,085,436,080
...mpany and sundry accounts	347,436,198	608,397,226
...ivate accounts	2,329,775	7,538,101
...spense accounts, provisions and sundries	428,804,211	581,146,171
...ndry creditors	91,062,872	23,341,556
...ceptances for accounts of customers as per contra	174,125,474	21,806,018
...bentures convertible into shares	100,000,000	100,000,000
...nds	–	124,243,750
...gal reserve	8,488,369	10,627,506
...her reserve funds	12,060,407	19,979,444
...pital	110,000,000	150,000,000
Total Liabilities	8,198,484,706	10,732,515,852

Ordinary General Assembly of the Union de Banques Arabes et Françaises - U.B.A.F. - during its meeting of April 23, 1977 at Head Office at Neuilly-sur-Seine has unanimously approved the accounts of the financial year ending 31.12.1976 noted that financial year resulted in a net profit of FF 21,291,374 against FF 18,702,050 for the previous year and fixed the total dividend ...F 11,383,200 against FF 9,166,800 in 1975.
...ccordance with paragraph 3 of Article 22 of the Articles of Association, the Ordinary General Assembly renewed the terms of ...e of Banque of Maroc represented by Mr. Ahmed BENNANI, Alahli Bank of Kuwait represented by Mr. Hussein Makki ...JUMA, Banque Extérieure d'Algérie represented by Mr. Boualsia BELGHOULA and Crédit Lyonnais represented by Jean DEFLASSIEUX. The General Assembly noted the resignation of Mr. Maurice SCHLOGEL and decided, at the proposal of Board of Directors, to appoint Mr. Gerard GERVAIS to the directorship which has become vacant.

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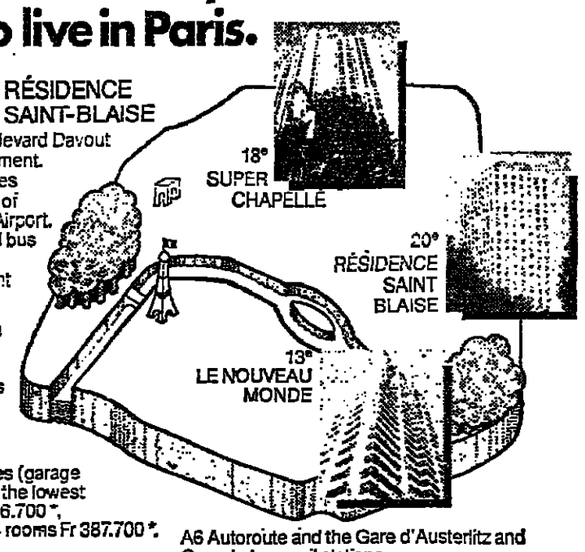

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A Profile of Some Major Industries...

Transport

By Henry Scott Stokes

PARIS (IHT).—Much the largest organization in the transport field in France is the national railways (SNCF) with a turnover of over Fr. 20 billion ($4 billion) and a staff of more than 275,000. The SNCF is the largest employer in the transport sector in Europe apart from the Deutsche Bundesbahn, and its importance was emphasized by a government decision last year to give to the regions greater authority over the use of the existing rail network.

It was realized that Paris had weighed too heavily in decisions involving railway lines in the provinces. Experiments in the Lorraine and in the south of France with the Metrolor and Metrazur services had shown that people attached more importance to the availability of rail services than the central planners of the SNCF had allowed. Bus services had found less favor in the regions.

The SNCF has labored under two major disadvantages, however. The increase in road transport and the greater use of automobiles have made regional lines uneconomic. During the 1950s and early 1960s, 10,000 kilometers of regional railway lines were closed. Yet the SNCF has continued to suffer losses: in 1975 the deficit recorded was over Fr. 1,100 million ($220 million).

Persistent losses have limited the scope of the SNCF to invest and to improve the existing network. In 1975, the last year for which figures are available, the SNCF received less than the RATP (the public transport in Paris) for investment, obtaining a total of Fr. 1,242 million for investment as against Fr. 1,479 million allotted to the RATP. The disparity is explained by the need to provide better Métro services in Paris, where the subways are greatly overcrowded at peak hours.

The loss-making performance of the SNCF is justified on the grounds that it is necessary to provide public services. Public transport thus receives subsidies. The government's view is that the provision of cheap transport to workers, elderly people and others is justified because these sections of the community often cannot afford to buy cars.

Yet this policy has not been accompanied by the injection of sufficient funds to permit the SNCF to reopen regional lines. And the handicap under which the railways run may be indicated by another investment comparison. In 1975 Air France alone invested almost as much (Fr. 1,232 million) as the SNCF, although it serves a limited section of the French public.

Construction

PARIS (IHT).—Although contrasting regional trends in construction persist and tend to obscure the national picture, the outlook for the French building industry overall is, in the words of a National Builders' Federation (FNB) official, one of "slow and continuing decline."

Geographic differences make generalizations difficult. New housing starts in the Paris region continue to be one-third below 1974 levels, while in Poitou-Charentes, in the west, for example, 25 per cent more housing is being built than three years ago. Similarly, 28 per cent more commercial and industrial building permits were issued in the French provinces last year than in 1975, compared with a 20-per-cent drop for Paris.

But when the country is taken as a whole there are fewer, if any, bright spots. The slight upturn last year in activity in the maintenance branches of the industry was not enough to compensate for the decline in new construction. Total turnover for all branches of the industry was down 1 per cent from 1975 and is expected to fall by another 2 per cent this year. And even when building industry totals are added to the somewhat better output in public works, the two sectors taken together showed no growth between 1975 and 1976.

Other indicators are scarcely more encouraging. Labor costs last year were up 18 per cent nationally; the price of lumber and steel rose faster than the consumer price index: the new-home market is gradually becoming saturated, and government housing policy has shifted away from new construction in favor of rehabilitating older dwellings.

Builders' attention is currently being focused on what are seen to be four distinct markets emerging within the industry and on how to cope with their different rates of development.

The new construction branch will continue to be dependent to a very large degree on state housing policy. Although Seventh Plan estimates see the need for 500,000 new housing units annually to 1981, the industry is skeptical. Only 449,000 units were built last year, or 13 per cent fewer than in 1975; there was a 23-per-cent decline, moreover, in new housing starts for the rental sector of low-cost public housing in 1976. Under these circumstances builders are looking to construction and public works overseas (last year accounting for 4 1/2 per cent of the two sectors' turnover) as "indispensable" to the growth of the industry.

Another factor that is expected to affect new construction, although in a less immediately quantifiable way, is last January's legislation greatly reducing the options to build without the services of an architect. The 5,000 members of this profession in France will now have a greater say in the choice of styles and building materials. Builders are also beginning to feel pressure from environmentalists when choosing construction sites.

Taking as its cue the government's stated preference for modernizing existing buildings to meet housing needs, builders have much greater hopes for this emerging and as yet virtually unregulated branch of activity. Between 150,000 and 200,000 older dwellings annually undergo major renovation and the branch last year accounted for a third of the industry's turnover, up 2 per cent from 1975.

The one generally static branch of activity is normal maintenance and minor building improvement, where both the nature and volume of demand remain unchanged. But the FNB hopes to "reconquer lost territory" in the area of repair services. The federation is particularly interested in this branch where it believes much of the industry's reputation, good or bad, with the public is made. While increased use of electrical appliances implies more work for plumbers and electricians, the industry must increasingly compete for this business with after-sales services offered by retailers.

—D.C.

Computers

PARIS (IHT).—Reorganization of the French computer industry was one of the principal industrial policies of the French government when President Giscard d'Estaing came to power in 1974. A year later (1975) came the basic agreement under which CII, the only wholly French company, and Honeywell Bull were merged last summer—with the French taking 53 per cent of CII-Honeywell Bull.

This solution to the industry's difficulties has been controversial. France has retained control of the new company; this is satisfying to national pride and to Giscardian supporters amongst the Gaullists. At the same time, however, CII-Honeywell Bull is dependent on Honeywell for its future, notably in the '80s.

Another aspect of the CII-Honeywell Bull arrangement which has been questioned, especially by the left, has been the French government's decision to give the new firm Fr. 6 billion ($1,200 million) over four years up to 1980. L'Humanité has described this arrangement as a Fr. 6 billion "bonus" for Honeywell.

The government's argument has been that there was no other solution in sight other than the arrangement with Honeywell. Honeywell has about 27 per cent of the French market, in terms of the value of installed systems, together with CII. CII's market share, the authorities argue, was too small to enable it to compete with either Honeywell Bull or the industry leader, IBM France, which has 50 per cent of the French market.

So far the government reorganization of computers has been neither justified nor refuted—by the figures. Honeywell Bull has changed its accounting system, and it is hard to make comparisons between the situation which obtained before the merger and the current position. At the same time, the Fr. 6 billion injection of funds, plus guaranteed orders from state bodies, means that CII-Honeywell Bull could well achieve its target of overtaking IBM in the French market by 1980.

The biggest criticism of the new arrangement, however, may be that it has not allowed for the cutting back of Honeywell Bull and CII staff to the point where productivity would compare with IBM. At present IBM France with 20,000 employees, makes about as much money as the largest of the European electrics firms, Philips (with a staff o 400,000). That is a measure o IBM's competitiveness. To cop with this rival in France will b no easy task for CII-Honeywe Bull.

—H.S.S.

Steel

PARIS (IHT).—Reshaping th steel industry is proving t be a hard task for the govern ment. On April 19 Prime Minis ter Raymond Barre proposed tha a sum of $2.4 billion be plowe into the industry, to make competitive on international mar kets.

However, the task which face the steel industry is awesom Already $7 billion has been in vested in the steel companies i 10 years, and yet their perfor mance remains poor.

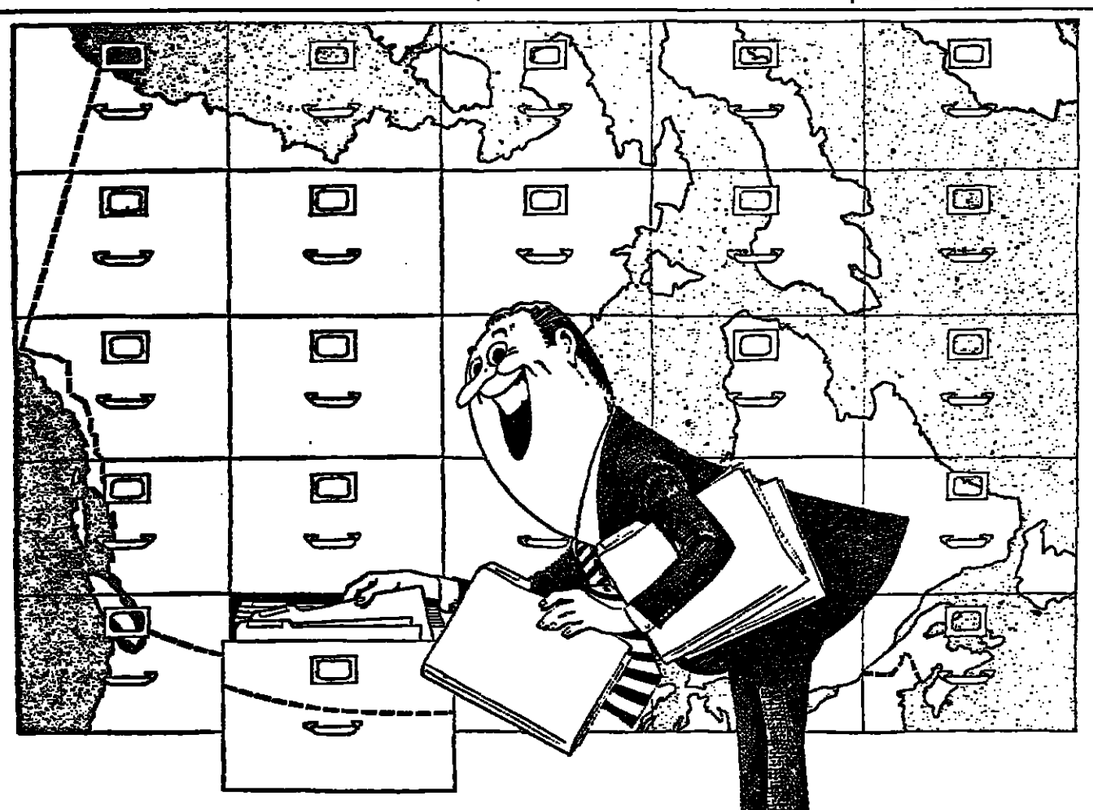
The industry—in which th leading producers are Usinor an Sacilor—has been losing mone for the past seven years. Accu mulated long-term debts alread exceed turnover and in 1975 bot Usinor and Sacilor lost mor than $300 million.

Since then these two companie which accounted for most of la year's production of 23 millio tons of crude steel, have bee heavily in the red. The on quick way to improve their pe formance would be a reductio in manpower.

The industry has proposed th some 16,000 jobs be eliminated the next three years. This however, a target which B Barre is unable to support. Uni opposition is strong.

To weed out this number jobs—causing only a few thou sand men to become unemploy as the majority of the cuts wou be made by retiring men early

(Continued on next page)



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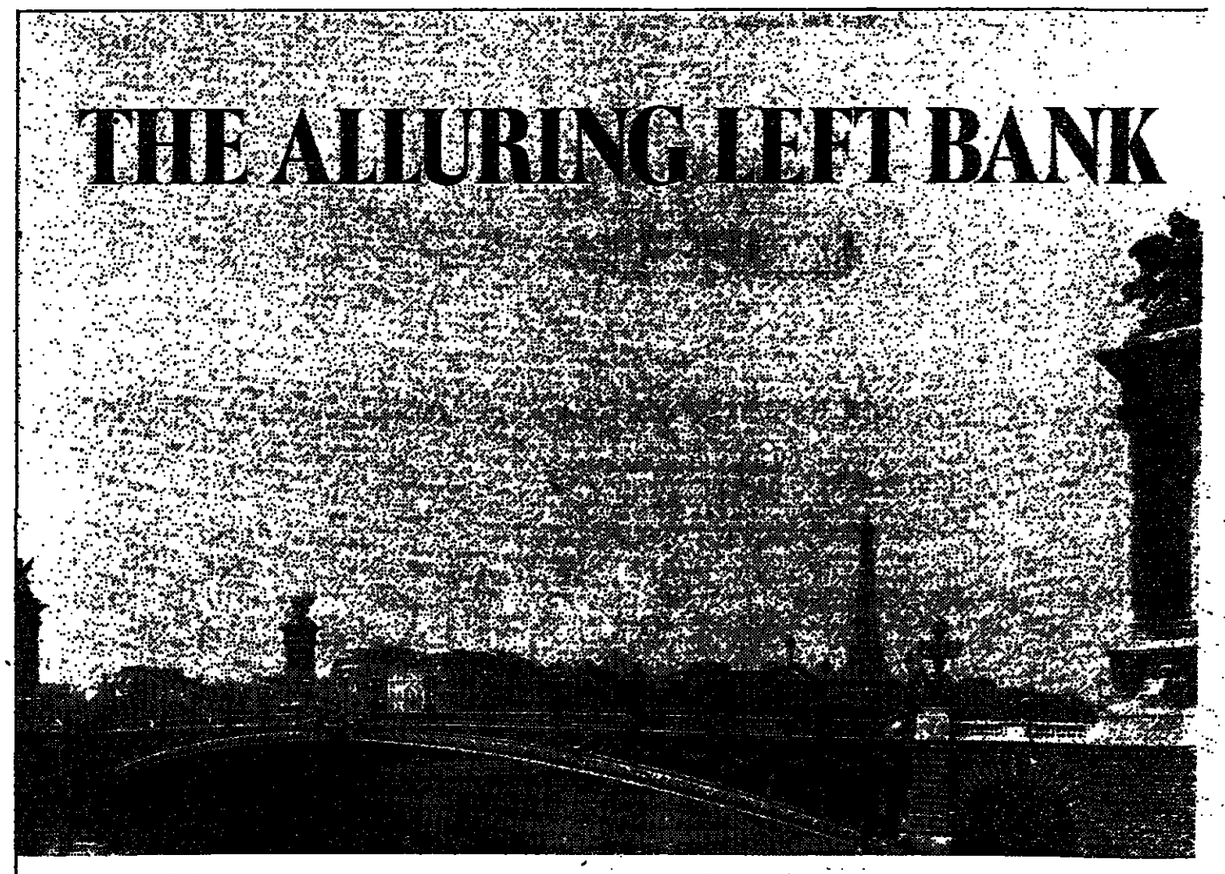

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estructuring Has Taken Place but Leaves Some Room for Doubt

(From Preceding page)

it of pay and finding in different sectors—seem an impossible total employment in y is around 155,000.

e elimination of one is proving very difugh. When Usinor o close down a small at Thionville in the egion in April, there losion of union discon-

ook for reorganizing nce is thus uncertain.

—H.S.S.

tomotive

HT).—France's autoare engaged in a oves they hope will r future health, at abroad. For despite oduction year in 1976, saw its control of c market weaken as anaged to raise their 20 to 23 per cent of

conspicuous example pt to meet new conhe merger of Peuitroën. While Peuial strength conly with Citroën's red companies brought production capacities 0,000 cars per year le management. Alnew group's critical enough to compete European-wide scale c rival Renault, Fiat as the potential to allenge in the next

eugeot-Citroën group, in September with 300 million in state a handsome $60-millast year and even Citroën automobile the black. Peugeot's sk the take-over apve worked, and the is satisfied that a etitive balance has ed between privateigeot and nationaliz-

by its $7-billion ance, the group has ract to manufacture omania, and is curating with the govPortugal and Iran for similar projects, as management confidence seems to be taking hold.

But the company's intention to keep model ranges in competition —at once catering to the strong loyalty of French auto customers and denying the Japanese a chance to absorb abandoned dealers—will preclude standardization of body styles or suspension systems. Peugeot-Citroën claims its strategy will give customers a wider choice and the group a larger market share, but the expense of running separate companies and the sacrifice of rationalization economies eventually may cut into company profits or competitive position.

While Peugeot eschews diversification, Renault hopes to compensate for lowered auto growth prospects by adding non-automotive holdings that could ultimately account for half the group's sales. Company aspirations of moving into fast-growth sectors have been partially dashed, however, by the government's insistence that Renault act as a rescue vehicle for ailing companies in such troubled industries as machine tools and farm equipment. But the company's car sales remain solid with a 32-per-cent share of the national market.

France's American-owned entry, Chrysler-France, improved its position last year to take a 10-per-cent market share with a new Simca model designed jointly by the French and British subsidiaries which is to be distributed throughout Europe. On a more ambitious scale, Ford has projected Continental sales of 400,000 this year for its small-displacement Fiesta, which could directly challenge Renault's popular R5 model.

—A.M.N.

Telephone

PARIS (IHT).—The reorganization of the national telephone market last year was the most dramatic, intricate and money-laden example of the government's interventionist policy to establish French presence in a strategic industry. Along with the computer and nuclear sectors, the orchestration of the telephone business was the most successful application of the "francization" tactic of coercing foreign multinationals to relinquish local holdings to French control.

The 100-billion-franc planned expenditure to bring French telephone service up to international standards is the centerpiece program of the current Five-Year Plan. It will double the number of exchange lines to 15 million by 1980 and will create 90,000 total jobs in the public and private sectors.

From a standing start, Thomson-CSF, one of the two French electronics giants, gained a dominant position in a market from which it was previously absent, as the government challenged and ostensibly won its way with mammoth ITT and then dictated the rules of the game to Sweden's Ericsson. The plan also assures Thomson's rival, Cie. Générale d'Electricité (CGE), a secure position in next-generation telephone-switching equipment.

ITT was forced to cede control of one of its French subsidiaries, Le Matériel Téléphonique (LMT), to Thomson for 720 million francs in compensation. But the other affiliate, CGCT, was given state guarantees that contracts from the French PTT would preserve its 16-percent local market share. Both LMT and CGCT produce versions of the Metaconta space switching system, but the PTT selected the CGCT-ITT model for the initial stage of urban installations. And for export sales, Thomson and ITT made no division-of-market agreements, so the two sister systems will compete directly for foreign contracts.

Thomson took control of Sté. Française des Téléphones Ericsson (SFTE) with a several-hundred-million-franc payment to the Swedish parent firm and an 80-million-franc transaction for CGE's 18-per-cent share in the local subsidiary. The Ericsson Axe space switching system will be the successor to the first round of Metaconta installations during 1978, and the two parent companies have claimed certain country markets in Europe, the Middle East and Africa to regulate export competition. But the PTT only formally accepted the Axe system after Ericsson agreed to pump an additional 125 million francs into its former affiliate to cover a suspicious 1976 income deficit traced to accounting irregularities.

Meanwhile, CGE will take charge of time-switching equipment through its CIT-Alcatel subsidiary, which produces a current E-10 system that will continue to equip rural networks and will manufacture an advanced E-12 model to replace obsolete electromechanical equipment after 1981. Both time and space switching models are electronic systems offering high performance, more compact physical plants and options to tie into other computer functions.

In addition to the industrial advantages of scale created for French manufacturers, which now hope to double export sales to two billion francs in five years, the government goal for customers is to reduce the average waiting time for telephone installation from one year to about three months. But consistent with the antiquated state of the French network, a projection of 16 million telephone receivers needed to make use of the new lines in the next seven years is greater than French receiver production since the invention of the telephone nearly a century ago.

—A.M.N.

Agriculture

PARIS (IHT).—The necessity of restructuring and streamlining industries in the agriculture and food processing sectors was confirmed last year with the consolidation of two advisory committees that prepared recommendations for the current Five Year Plan.

Three of the basic recommendations of the committee may have long-range impact on France's balance of trade and on the profile of its agribusiness: the adjustment of EEC regulations on agricultural production and market exchanges, improvement of France's position in non-EEC export markets and the progressive integration of the two industries.

As the second largest world exporter of agricultural products, France enjoys a privileged position within the Common Market. This is particularly evident in the case of grains, in which French production is twice the level of national consumption and which largely accounts for the EEC's 91-per-cent self-sufficiency level in the commodity.

Although France earned $1 billion exporting 60 per cent of its grain output to European partners, at higher than world market prices, government and industry officials are pressing Brussels bureaucrats to ease EEC regulations in order to facilitate exports to Third World and East Bloc countries. While Common Market price support policies were conceived in the 1960s to insure the availability of agricultural products to member states, a Commission member explained that the increased self-sufficiency level of the Nine should allow policy changes to help each country's efforts outside the EEC.

France, therefore, seeks the independence of action to move quickly and competitively in fulfillment of one of the Seventh Plan's priority programs to raise the agricultural trade surplus to 20 billion francs by 1980. Last year, exports rose 17 per cent, but the drought and certain commodity price hikes induced a 22-per-cent jump in the value of imports that cut the trade surplus to 3.3 billion francs.

While fruit and vegetable production suffered from a lack of water, the sugarbeet crop was set back by heavy rains that followed the drought. To offset the effects of extreme weather phenomena in the future and to prepare for a tripling of irrigation needs in the next decade, the government allocated 3.5 billion francs for a 15-year water conservation and dam construction program.

The need to meet competitive pressures also instigated several structural changes at the food processing stage. Among the moves, Ceraliment, Europe's leading grain company, acquired the Franco-Belgian biscuitmaker, LU-Brun, adding 12 factories in seven countries in the process; while a major meatpacker merged with a cattle-raising co-op to supply finished products to butchers and supermarkets. But industry rivalry, limited understanding of export operations and poorly coordinated government policies continue to be the ruling factors in French agribusiness, which prompted one food processing executive to term the Seventh Plan trade and restructuring goals "worthwhile, but wishful thinking."

—J.P. FRANKENHUIS.

Shipping

PARIS (IHT).—The scope for "restructuring" the small French shipbuilding industry was indicated last year by the merger of the leading company in the industry, Chantiers de l'Atlantique, with Alsthom, the electrical engineering company which belongs to CGE, the French electrical giant.

Chantiers de l'Atlantique had declared a net profit of Fr. 50 million ($10 million) in its last year before the amalgamation—and the creation of Alsthom Atlantique—but its prospects were uncertain, given the dominance of Japan in world shipbuilding, a preponderance which became all the more obvious in 1976, when the Japanese took three quarters of world orders.

The merger of Chantiers de l'Atlantique (1975 turnover $450 million) has led to speculation about the future of the rest of the industry, in which the main firms are Chantier Naval de La Ciotat, Dubigeon Normandie, CNIM and Provençale des Ateliers Terrin. Their scale of operation is small by world and even by European standards—turnover ranges between $200 million and $100 million in the four companies.

The response of La Ciotat has been to combine operations with Alsthom Atlantique. Joint tenders are made and there is technical cooperation between the two companies. They have not gone so far as to set up financial links, however, and La Ciotat remains controlled by the Lebanese bank Intra Bank—offering it a connection with Middle East customers.

But the financial restructuring of the industry has yet to take place. There are two basic strategies. One is to have the yards join together; the other is for them to be absorbed into larger industrial groups with no connection to shipbuilding. So far the latter strategy has prevailed.

The other approach to the industry's problems has been EEC discussions with the Japanese via the Organization for Economic Cooperation and Development in Paris. These have not led to concrete decisions, and the prospect is that even the Japanese will lose their competitiveness in the 1980s (as South Korea and other new shipbuilders enter the field).

—H.S.S.

Aviation

PARIS (IHT).—The French government is struggling currently to define a coherent long-term plan for development and production of new commercial airliners that will reestablish the national aeronautics industry in a competitive position on world markets.

The thriving and aggressive industry has managed to capture and hold a significant share of domestic and export markets for its military equipment in the past two decades. Mirage fighters of Dassault-Bréguet have been sold at home by the hundreds and shipped abroad by the thousands. A new generation of Mirages is under development to sustain the pace.

Helicopters and advanced tactical missiles from Aérospatiale have been selling briskly throughout the world, including such competitive and relatively closed markets as the United States and Britain. And in the business-jet market, which is dominated by U.S. manufacturers, Dassault recently was awarded a contract to provide the U.S. Coast Guard with 41 specially modified Falcon-20 jets worth $228 million to be used for coastal surveillance work.

But in the lucrative commercial airliner field, France has had only limited success since the heyday of the Caravelle jet transport in the mid-1960s. Hopes for extensive sales of the Anglo-French Concorde supersonic transport, the German-French Airbus jumbo jet and the more conventional 130-passenger Dassault Mercure have failed to materialize. With 36 firm orders, only the Airbus holds realistic prospects for continued sales.

Industry and union officials here have called on the government to fund new versions of the Airbus and Mercure, as well as new transport designs proposed by Aérospatiale. But the cost of developing new airliners has risen astronomically in recent years, and neither the state nor the industry alone can afford the investment.

Thus, the government endorsed talks for a joint development program between Dassault and McDonnell Douglas two years ago. Aérospatiale joined the effort after failing to reach agreement with Boeing, and the three equal partners announced at the end of last year plans to build a short to medium-range civil transport.

The new aircraft would be derived from the Mercure and jointly produced in the United States and France as a replacement for the aging fleets of Boeing 727 and Douglas DC-9 jetliners. Poor response to the new joint model from major airlines, however, has prompted McDonnell Douglas to rethink the project in preference to a longer-range, higher passenger load model that carriers seem more eager to order. The American builder would then meet medium-range aircraft needs with a stretch version of the DC-9 to compete head-on with similar models planned by Boeing and Lockheed.

But the possibility of the French and American partners designing a larger transport would clash directly with existing French and German intentions to extend the Airbus range model, as well as with McDonnell Douglas's own medium-to-long-range airliner now on the drawing boards. French officials repeatedly have said they would not pursue a joint transatlantic venture at the expense of the Airbus program, but the loss of the American partnership almost certainly would make Mercure development a hypothetical project.

With few attractive options open to it, the French aerospace industry is likely to face unemployment cuts and a reduced contribution to the nation's trade balance. More worrisome, Air France and the two major domestic carriers could turn abroad for future fleet replacements.

—A.M.N.

(Continued on Page 10)

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Restructuring of Nuclear, Oil Sectors to Meet Energy Challenge

Nuclear

By Michael Parrott

PARIS (IHT).—At the beginning of this month a 900-megawatt nuclear power station started producing electricity at the small village of Fessenheim in upper Alsace. The event was given considerable publicity by the protests of local environmentalist organizations, but the real significance of the occasion was not always appreciated by the public. For here was the first of a new generation of light-water reactors based on U.S. technology which will eventually be built all over France. By 1985 between 40 and 50 of these units will be required if the government is to realize its ambitious target of meeting 25 per cent of France's energy needs at that time with nuclear power.

The Fessenheim unit came on-stream some 18 months behind schedule, but its start-up coincided with the completion of a vast industrial restructuring which has assured France a key position in the international nuclear equipment business.

It was back in 1969 that French President Georges Pompidou took the crucial decision which enabled France to join the mainstream of the nuclear industry. Until then the government had concentrated its industrial effort on a graphite-gas technology developed by the state-owned Commissariat à l'Energie Atomique (CEA) as an offshoot of the *force de frappe*. The technology was perfectly sound, but with an increasing number of countries opting for light-water reactors designed by Westinghouse or General Electric, export prospects were not encouraging. In 1969 the French president formally scrapped the French technology in favor of the light-water design and a year later Electricité de France selected the Westinghouse PWR design for the Fessenheim plant.

The president's decision was an important victory for Belgian industrialist Baron Empain, whose engineering interests in France had developed the Westinghouse design while manufacturing parts for the graphite-gas reactors. In 1972 Creusot-Loire, in which the baron held 50 per cent, and Westinghouse set up a joint manufacturing company, Framatome, in which the U.S. group held 45 per cent.

But the government did not initially want to give Framatome a monopoly of the reactor business. At the time it was thought more sensible to have two industrial groups competing for the favors of state-owned Electricité de France (EDF). So when Compagnie Generale d'Electricité (CGE) offered to manufacture light-water reactors using the General Electric boiling-water process, the government agreed to two orders and six options on condition that the company come up with a satisfactory industrial package. The same policy was adopted in the turbo-set sector where Alsthom, the CGE subsidiary, was promised all future orders for Westinghouse plants and Compagnie Electro-Mécanique (CEM), the subsidiary of Brown Boveri et Cie (BBC) of Switzerland, those for General Electric models.

From the start Framatome was in a much stronger position in the light-water reactor field. Whereas CGE would have been forced to subcontract large amounts of work to other companies, Framatome was almost self-sufficient. But when it came to fast-breeder technology CGE was the leading star with 65 per cent of the GAAA group which built the 250-megawatt pilot plant Phénix at Marcoule. Babcock Fives, which had originally hoped to sell the Babcock and Wilcox system for light-water reactors, held the remaining 35 per cent in the project, which was based on CEA technology.

In the first panic after the oil crisis it really looked as if France might be able to afford the luxury of choosing between two suppliers. Prime Minister Pierre Messmer announced in March 1974 that thirteen plants would be ordered within the next two years in a program which would result in 50,000 megawatts of power being installed by 1985. But as electricity demand slowed down under the impact of the recession and international competition in the nuclear field became hotter, the French government realized that there was just not enough work for two manufacturers.

In August, 1975, CGE learned that its aspirations to enter the French nuclear reactor market were *finished*. A top-level meeting at the Elysée canceled the two orders that had been offered two years earlier and conferred all future contracts on Framatome.

At the same time it was decided that CEA which had been quietly working on a light-water design of its own, should *take a 30-per-cent stake in Framatome at the expense of Westinghouse*, which would see its participation fall to 15 per cent. Rather than compete with Westinghouse, CEA was to collaborate with the U.S. company with the view to bringing out a French version of its technology in 1982. The French group was not, however, given the 35-per-cent blocking minority it had sought.

Six months later CGE and Babcock Fives were edged out of the fast-breeder business when the government decided that the 1,200-megawatt Super-Phénix fast-breeder project should be the responsibility of a new group, Novatome, in which Creusot-Loire would be the majority shareholder alongside the CEA and Alsthom, now merged with the shipbuilding group Chantiers de l'Atlantique. It is not yet sure whether CEA will again only receive 30 per cent or whether it will this time be given a blocking vote. But if Baron Empain had now gained a complete monopoly of the nuclear reactor business from conventional to fast-breeder models, CGE felt entitled to some compensation. Last autumn this *compensation came when CEM* was obliged to sell its turbo-set interests to Alsthom-Atlantique, which will now have a complete monopoly in this sector.

Oil

PARIS (IHT).—*Last year* private shareholders of French natural gas producer Société Nationale des Pétroles d'Aquitaine (SNPA), in which the state held 51 per cent, agreed to their company taking over the assets of the 100-per-cent state-owned oil company ELF-Erap. The decision was *historic in that it finalized* the restructuring of the French oil interests would be represented by two groups—the newly created ELF Aquitaine, with some 34 billion francs of sales and a state participation of 70 per cent, and the veteran Compagnie Française des Pétroles (CFP), with over 40 billion francs of turnover and state voting participation of 40 per cent.

These two companies together account for some 50 per cent of the French refining and marketing business. They also account for nearly 80 million tons of annual oil production and for an exploration activity which compares favorably with the world's oil majors. Helping them is a French tanker fleet of some 15 million tons deadweight which transports two-thirds of France's crude imports; French engineers who have developed a technological expertise—especially in the off-shore—which is second only to the Americans; and an equipment industry which until recently was in an equally strong position.

No one could have foreseen such achievements 50 years ago when the Anglo-Saxon oil companies *effectively* took over the international oil business. At the time, France only gained a participation in the Middle East because of diplomatic bargaining after the First World War. The takeover of Turkish interests was enough to justify the creation of CFP but it was only because of the determined efforts of successive governments that France's role in world oil has not been limited to that of an Iraq Petroleum Company shareholder.

Oil Legislation

The determination of the French government to have a say in the national oil industry made itself felt as early as 1928. It was then that the state assumed responsibility for all crude imports into France, all refining operations on French territory and all marketing of refined products. Thanks to oil legislation introduced in that year, companies wishing to refine crude oil in France must secure ten-year authorizations, and those that wish to market refined products ones of three years. These authorizations have been used to insure maximum security of supply and stable prices.

But the French soon realized that they could not depend on CFP's share in IPC alone. Even before the war the government set up state companies with the responsibility of looking for oil and gas resources on French territory. One of these, Régie Autonome du Pétrole (RAP) discovered oil in the Pyrenees in 1938. A second, SNPA, set up in 1941, was to make the giant natural gas discovery of Lacq in 1947. And it was thanks to a third, Bureau de Recherche du Pétrole (BRP), set up in 1945, together with RAP and CFP that the huge oil and gas fields of the Algerian Sahara were discovered in 1956. In 1952 the French subsidiary of Exxon found oil at Parentis in Aquitaine and four years later RAP was to discover oil in Gabon. During this period the bulk of France's exploration efforts came from these state-owned groups rather *than from CFP*.

It was only after the Second World War that the French fully realized the need for national research in the oil field. In 1947 Institut Français du Pétrole (IFP) was set up, an organization which has been responsible for many of France's subsequent *breakthroughs in oil and petro-*chemical technology. IFP's search was supported by a cial tax on gasoline sales. the country's research effort ly really took off in the when IFP researchers, tog with engineers at ELF-Erap CFP, concentrated their e on the problems of offshor ploration and development.

The 1960s was a turning for the French oil industry whole. For in 1959 the F government finally aban coal in favor of oil. Lacq n gas was beginning to arri the French market. French was becoming increasingly competitive with cheap oi ports and there was the that Sahara oil and gas give France the energy ind dence it had always been se

But the oil option mean France needed a strong na industry which could cove range from exploration an duction to refining and di tion. This is why Pre Charles de Gaulle decide merge all the state-owned ration groups, except SNI make one giant state-owned pany along the lines of ENI. Whereas until then had been the only major F company on the domestic ket with a guaranteed sh some 25 per cent, interna companies now had to mak for the new group ELF which now holds as mu 23 per cent of the market. ernment targets were spelled out—55 per cent market should eventually b by national companies, thirds of French crude i should be transported by F tankers. French oil product it in France or abroad. match national consumpti

It has been difficult, ho for the government to be generous to the industry. first place it has been rel to raise prices for inflatio sons. In the second, it do want to appear too friendly industry which is still being ed for the oil crisis. Und wing pressure the governm been forced to reduce some tax advantages enjoyed oil companies and free he and naphtha from sove price controls.

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Industry: Some Modifications Have Taken Place

(Continued from Page 9)

Chemicals

PARIS (IHT).—During the next few months the French government is expected to adopt a number of measures aimed at restructuring the pharmaceutical and fertilizer sectors. In the case of pharmaceuticals, aid is needed to establish industrial groups capable of competing with the international companies and carrying out their own research. With fertilizers, it is more a matter of reducing the number of companies and making them less vulnerable *to cheap imports*. Whatever measures are adopted, and they are unlikely to be very spectacular, they could represent some of the last rationalizations in the French chemical industry.

The French government first became concerned about the restructuring of the French chemical sector back in the 1960s. The lowering of the Common Market tariffs and the expiration of various patents placed several companies in difficulties at a time when huge investments were needed if France were to keep pace with technological change. At first, companies reacted by forming joint ventures, many of which remain to this day, but sooner or later they were forced to create larger groupings.

With the restructuring of heavy chemicals completed, the government turned its attention to specialty chemicals where foreign concerns had already acquired important investments. By the early 1970s it was estimated that foreigners controlled a third of the pharmaceutical industry, the bulk of the detergent business, half of the French pesticide sales, 30 per cent of cosmetics and perfumes and 25 per cent of paints and adhesives. At a time when companies were *reluctant to invest heavily* and downstream products were more profitable, it made good sense for the French chemical companies to combine their own interests with that of the country.

Undoubtedly the most spectacular developments occurred in the pharmaceutical sector where several new groups have been created alongside the two leading companies in this field—Rousse-Uclaf, the subsidiary of Hoechst, and Rhône-Poulenc. The most important growth has been shown by the ELF/Aquitaine group which has emerged as France's third most important pharmaceutical group. ELF/Aquitaine's health division Sanofi has acquired Labaz, Castaigne, Choay, Institut Pasteur Production, Robilliart and Vetagri. Also important are CdF Industries, Synthelabo, controlled by perfume manufacturer l'Oréal with the backing of Nestlé, Pharmuka, the new pharmaceutical business of PUK, and Delalande. Until a few years ago the pharmaceutical sector was considered a very profitable one, but increasingly tough price controls by a government concerned over national health insurance costs have placed many of the smaller companies in difficulties. The main aid that the government can give is to treat the *pharmaceutical sector as an industrial* problem, not just a drain on the social security budget, and there are growing signs that this is what Prime Minister Raymond Barre plans to do.

The fertilizer sector is characterized by the excessive number of companies competing in a very cyclical market. Already some restructuring has been achieved with the merger in 1971 grouping the fertilizer interests of Rhône-Poulenc and PUK to form La Générale des Engrais (GESA), but that still leaves five other groups—EMC, CDF Chimie, the private Gardinier group, La Grande Paroisse, in which Air Liquide *holds* a stake, and *Cofaz*, the subsidiary of Pierrefitte-Auby and Compagnie Française de Raffinage.

The government would like these companies to merge to form two or three major groups but is having some difficulty getting the matches organized. For a start the government feels the state-owned group EMC and CDF Chimie should pool their fertilizer interests, but EMC recently signed a sales agreement with Gardinier and is not particularly enthusiastic about a tie-up with its state-owned rival. In the private sector GESA might be persuaded to team up with Cofaz and La Grande Paroisse, but Cofaz only recently reached an agreement with Agrico under which the U.S. company will acquire a stake in the concern, while La Grande Paroisse wants to remain independent. Whatever the government finally decides concerning EMC and CDF Chimie could have implications for the whole state chemical sector. For many civil servants would like to see ATO, CDF Chimie and EMC merged to form one state chemical giant to counterbalance the two leading private groups Rhône-Poulenc and PUK.

—M.P.

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Olivier Reverdin: Viewing His Country in Relation to Europe

HT). — Olivier Re- a Liberal, with a In Swiss political eanz he is firmly er, a supporter of and a largely un- et economy. This , however, that he sitive to the prob- ng his country or seek their solution ication of the pres-

e of two members enate representing Geneva, his politi- s brought him to of the Assembly of f Europe, and an vement, nationally nally, in scientific ffairs. He heads tional Foundation Research and, ks with industry, how such research failing to keep reast of rapidly ology.

a book on Switzer- tely aware of this on in and depen- tern Europe, and f the problems in p in the follow-

itzerland getting this relationship ing in? d is severely lim- elations with its se Swiss neutrali- form of political nmitment. Some ack of solidarity, xpression of pru- But since this is y and the Swiss is considerable, we sed of leaving a Europe defense- om an economic witzerland has al- heavily on trade and the rest of has probably the overall tariff lev- comes naturally and what is fear- the idea of being European protec-

t Switzerland did st people expected nt with the Eu- ic Community? rrect, except from iew of public fi- his agreement fur- government reve- es. But the Swiss

A.S.L.

Olivier Reverdin

economy did not really suffer from the economic integration achieved by the European Community. Firstly because the speed of integration was much slower than anticipated, and secondly because agriculture was excluded from the agreement and Switzerland was able to protect its agriculture, a situation which is much more favorable than that of certain countries within the community.

The Swiss treaty with the European Community was approved by the electorate and keeps open the trade lines with neighboring countries which are both Switzerland's main markets and main suppliers.

Q—Would further progress towards political integration within the European Economic Community pose problems for Switzerland?

A—We would have difficulty in adapting to rapid progress in this area. Unfortunately, I doubt whether even elections for a European Parliament would change matters all that much and, barring dramatic developments, it's likely to be a very drawn-out affair. Switzerland will, of course, follow what is going on very closely and would perhaps be prepared to make certain sacrifices. But one should not forget that no decisive steps can be taken without the express approval of the Swiss cantons and the electorate, so we're much less free in that respect than other countries.

Q—Don't you think other European countries are getting a little annoyed or, perhaps, disgruntled with Switzerland?

A—Historically we frequently set other peoples' teeth on edge. It is not always easy to accommodate us, mainly on account of our system of direct democracy. Switzerland is deliberately built on a basis which is different from other countries because of internal needs. This annoyance with Switzerland is further aggravated today because of the rate of the Swiss franc: Uncomfortable for the Swiss, it appears as insolence to outsiders. There is also the fact that Switzerland has become an important banking and money market and that the Swiss seem to be quite undisturbed by all this whereas others think we should feel guilty.

But these are really superficial reactions, and after all, who likes whom in Europe? Aren't the Germans fed up with the French, do the Italians find the French all that bearable, what do the English feel about all these Continentals? Switzerland perhaps complicates matters just a little more but we can't really be considered as trouble-makers.

Q—Would new leftist governments in France or Italy have an impact on Swiss policies? Perhaps concerning banking?

A—This would put Switzerland into a delicate situation, particularly as far as financial transactions are concerned. We would have to adapt. As far as banking is concerned, it is perhaps unfortunate that we have a legal system based on the idea that the citizen does his duty, pays his taxes, doesn't use the banking facilities for tax-dodging: And this is true for the immense majority of Swiss. The position of the individual vis-à-vis the state is very different from that prevailing in other countries. All taxes in this country are levied, whether on federal, cantonal or communal level, with the express approval of the electorate. The citizen identifies with the state.

Look at the problems that we have with foreign workers when we try to explain that it is quite legitimate for the state to expect them to pay taxes. For them the state is the enemy, the state always takes as much as it can, always spends much more than it should, there has always been dishonesty in the handling of public finances. They feel that they are legitimately on the defensive and cannot see why they should pay more taxes than the minimum they can get away with.

The fact that Swiss banking has become international means that others make fraudulent use of these services which are hardly exploited by the Swiss themselves.

Do we have to destroy the systems that suit us because others abuse them? It is difficult to give a positive reply.

Q—In Geneva recently the electorate refused to reduce taxes.

A—Yes, a Socialist initiative which would have resulted in a significant reduction in taxes for 96.5 per cent of the population was refused by the electorate by a 52-per-cent majority.

Q—You talked about foreign workers. Doesn't it give the Swiss an uncomfortable feeling to see considerable numbers of these people going home now because of the economic recession? In fact they are being used as a sort of safety valve to prevent large-scale unemployment.

A—One has to distinguish between different categories. The seasonal workers were employed largely in construction and were not settled in Switzerland. For these people it seems perfectly normal that if there's no more work we don't call them in. We might just as well say that we did them a service in the first place by offering them work. We still have half a million of these workers. Which other country can point to such a high proportion compared to its overall population?

The situation is much more delicate as far as those who settled in Switzerland are concerned. Many planned to become Swiss; and the fact that for many the lack of work has caused them to leave rather than accept the temporary unemployment benefits Switzerland provides is unfortunate. But really we can only reproach ourselves for having probably abused the fact that so many people always wanted to come to Switzerland, because the conditions of work and pay were better. We have a moral responsibility towards these people, but it is difficult to live up to this responsibility in the present economic situation. But it would be too simple to say we exploited them and are now rejecting them.

Q—The Swiss economy has always been marked by a high degree of specialization. And it is perhaps this feature more than any other which has enabled exports to continue at a relatively high level despite sharply increased prices for foreign purchasers. But how do you feel about the future? Isn't Swiss research losing steam?

A—It is obvious that the position of Swiss industry has deteriorated in terms of its cash ability to embark on large-scale research, assure the acquisition of patents and keep abreast of most recent technological developments. This is the result of two things: the high rate of the Swiss franc and the development of increasingly onerous social security combined with higher taxes.

The financial base has been narrowed. The effort has been concentrated on the maintenance of a high level of employment.

On the level of inventiveness and scientific research there is no point in encouraging Swiss research in universities or in industry if it is not absolutely on the level of the most advanced work being done elsewhere. The Swiss economy accords a great importance to research, and continues to do so. The chemical industry devotes between 5 and 10 per cent of its total turnover to research. But there are now serious problems. Take the case of Brown-Boveri, a company which has a subsidiary in Germany. Their industrial research is subsidized to the tune of 50 per cent by the authorities, while in Switzerland the authorities give nothing for this kind of research. Swiss industry is beginning to wonder why it has to go it alone.

This being said, I should point out that the situation is still healthy and that to the best of my knowledge Switzerland is the only European country with a positive balance of payments concerning patents and licences.

'Para' Business Disappoints As Tourism Levels Drop Off

ZURICH (IHT).—The Swiss hotel industry is virtually back to where it was ten years ago. Contrary to the perhaps too-sanguine expectations, the number of overnight stays in the traditional hotels and inns declined last year by some 3.9 per cent, reaching the lowest level since 1967.

In fact, the record over the last few years brings out quite clearly the combined ravages of the escalating Swiss franc and the downturn in economic activity in the client countries on a traditional Swiss service industry which—still—employs an average of some 64,000 people.

With nearly 37 million tourist-nights, 1972 marked the high point for the hotels. Since then the figure has dropped back to barely more than 32 million despite a more or less general freeze on Swiss franc prices and determined promotional efforts by the Swiss National Tourist Office, which has its headquarters here.

For a time it looked as if the so-called "para-hotel" business (rented chalets, holiday apartments, camp and caravan sites and other similar accommodation) was picking up the slack. With tighter belts and less pocket money, the faithful tourists were still coming, and with a more flexible market in rented apartments they were making the best of the relative bargains on offer.

Looking Elsewhere

The "para" business showed a sharp uptrend between 1972 and 1975, ensuring that the overall overnight-stay total for both Swiss and non-Swiss hovered between 66 and 68 million. Sadly, it now looks as though this market, too, is barely holding its own.

For the first time last year the total dropped somewhat to around 34.5 million nights.

Significantly, the number of Swiss tourists enjoying the attractions of their own country also dropped last year—by 1.1 per cent overall. Attracted by the relatively cheaper offerings abroad and the rapid development of the air charter business, the Swiss themselves are looking elsewhere. And they are clearly following a trend set by others.

Meanwhile, overall occupancy of the estimated 920,000 beds available in all forms of accommodation has dropped to a mere 31 per cent, compared with 36 per cent in 1973.

It is hard to imagine a formula to reverse this general trend. The efforts of the tourist offices to encourage visitors to the more out-of-the-way regions do not seem to have met with signal success. More recently the emphasis has been on "active" vacations, with a variety of activities ranging from ballooning and hang-gliding to hand painting of pottery thrown into holiday packages. Basically, however, the Swiss are hoping that inflation in other countries will gradually compensate for the high level of the Swiss franc; that their own hotel and general tourism costs can be held down because of near-zero inflation here, and, above all, that economic recovery will bring back the freer spenders.

Undoubtedly, Switzerland will always be better able to cater to the higher end of the tourist market. There seems little point in trying to develop the cheap package-tour business that has been so successful in other countries.

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Jean Ziegler: 'I'm Fighting for a Democratic, Pacific Change'

GENEVA (IHT). — The most controversial figure in Switzerland over the past year has been, without doubt, Jean Ziegler, Professor of sociology at Geneva University and militant left-wing intellectual. Prof. Ziegler has built up his public image largely on the basis of his proven ability to needle the federal government —a coalition in which his own Social Democrat party participates—from the benches of the lower house of the Swiss parliament.

But Prof. Ziegler was boosted to national prominence with the publication in France of a scathing attack on "Swiss imperialism" entitled "Switzerland Above Suspicion."

A partisan publication, lying somewhere between a revolutionary tract and a sociological thesis, Prof. Ziegler's book, however poorly documented, came as a furiously strong breath of fresh air in the hothouse of Swiss Establishment politics. Here was someone with the consummate gall to attack the system from the inside.

The book was an instant best-seller, was issued in a German version and will appear in English shortly. It has also inspired the recent publication of an anti-Ziegler book, entitled "Unsuspected Switzerland," in the form of an open letter.

Jean Ziegler outlines his controversial views in the following interview:

Daniel Villet.

Jean Ziegler

Q—Switzerland is frequently held up as the only direct and perhaps the best example of a working democracy in the Western world. You say it is a corrupt system. Why?

A—There is the visible government—the political institutions of great originality—the referendum, the popular initiative, etc. But while this looks admirable on paper it is in fact one of the most ambiguous systems in Europe. Switzerland has an invisible government which I call the oligarchy. You can identify it—some fifty people who are among the most powerful men in the world: the presidents of the Swiss Credit Bank, of the Union Bank of Switzerland, of the Swiss Bank Corporation, of Nestlé, the president of Sandoz, of Ciba-Geigy and some more.

This small oligarchy has tremendous power inside and outside Switzerland. Through their multinational empires they control vast parts of Asia, South America and Africa. The Swiss bankers are the second largest foreign investors in Brazil and in South Africa. Any dictatorship in the world—if only it is efficient and breaks the bargaining power of the local unions—can count on them. I give one example: In 1976, the very first international credit ($300 million) which was given to the horrendous dictatorship of Videla in Argentina was given by Swiss banks.

Switzerland is a very small country without any natural resources. Where do the bankers get their money from? Mostly from flight capital. From all over the world billions of dollars flow every year into the vaults of the Swiss banks. This is mostly stolen money: Mafia money, tax-evasion money, the money of the oligarchies of Brazil, Chile, Indonesia or Zaire—stolen from the people, money of corruption and so on.

Every large Swiss bank has an elaborate money-smuggling operation. Once the money arrives in Switzerland it is protected by the most elaborate secrecy. Banking secrecy and the numbered account are the holy institutions of Switzerland.

The stolen money is—as the FBI puts it—"laundered," and then reinvested through legal channels.

The foreign investments of Swiss banks are almost two times the total Swiss national product —265 billion Swiss francs. Only one-third of this is money produced in Switzerland—two-thirds is flight capital reinvested. These accounts are controlled by the Swiss banks through proxy powers.

Out of the thousand largest American corporations, 633 have holding companies for their foreign operations in Switzerland. Switzerland is the biggest monetary market in the world, the biggest reinsurance and gold markets. All these service functions which Swiss banks assume for the world capitalist system gives them a tremendous autonomous power. It is true that Switzerland dances to the tune of Washington. Politically the Swiss are always aligned to American power, but economically and financially speaking Swiss bankers are often in direct conflict with American financial interests.

Q—Can't parliament and the people control this power behind the throne?

A—Inside Switzerland the oligarchy works in a very intelligent but very wicked fashion. We have a Swiss parliament of two houses: a senate of 44 people, and a directly elected popular assembly of 200 members. Nobody is paid in parliament—just $60 a day when you are in Bern. But 62 per cent of all the parliamentarians in the last legislature were board members of the great industrial, financial and commercial empires where they earned an incredible amount of money. At Nestlé a board member earns nearly $90,000 by attending four or five board meetings a year. Many of my colleagues in parliament sit on 10 or 20 different boards. The list is incredible. For instance Bührle, which is the biggest Swiss arms manufacturer, has men in every key committee in parliament. In Switzerland there is no law on incompatibility.

Q—So you are suggesting that both houses of parliament are merely "yes men" to this oligarchy ruling the country?

A—Many of them are. Not all. In my view what is dangerous is that there is no real opposition in Switzerland. The real government is therefore the oligarchy. The political institutions mask this reality, the press is mostly in the hands of this phantom but very real government, so there is no critical debate in Switzerland. In their view "positive" criticism is part of democracy, but "negative" criticism is a pathological phenomenon: that is to say all attacks on the structure of power. The colonization of parliament by the oligarchy is one thing. But even if you take the seven-man coalition government, most of them who quit government are immediately promoted to chairman of Nestlé, of the Banque Populaire Suisse, vice-chairman of Sandoz, etc. The head of the armed forces leaves the army to become director general of Bührle, the arms factory, the next day.

Q—But you didn't really say whether the parliamentarians are merely "yes men" consciously going along with this government in the background.

A—That's a very dangerous question. It would be absurd to say the Swiss parliament is corrupt in the same way as that of a banana republic; you can't just walk into a senator's office and put a couple of thousand dollars on the table. It is much more sophisticated. It is the general feeling in the ruling class that the interests of the big banks and the interests of moral order and Christianity go hand in hand.

We are living in a Christiano-capitalist society. The bankers live modestly. They are immensely rich but have just one home and usually go to the office by tram. The society functions because the ordinary Swiss citizen has never seen the misery its banking policies create in the outside world. The children of Colombia are dying of hunger as a result of Swiss investment policies—the Union Bank of Switzerland is one of the very great powers in Colombia—but the Swiss never see the victims. If these children came to die on Zurich's Bahnhofstrasse the system would fall apart. The people would not tolerate it any longer.

Q—You are a Socialist and the Swiss Socialist party is part of the government coalition, and is a powerful party. Are you implying that the Socialist party is as much involved as the bourgeois parties in a corrupt system?

A—No! However, the Socialists —a Social Democratic party—are mostly integrated into the system. This is very unfortunate. It renounced the strike as a weapon in labor conflicts. There are two Socialists in the seven-man government. The majority of the Socialists vote for all the military credits. The Socialist party in Switzerland is one of the most powerful in Europe. But it is in a dead sleep. Something must change: The Socialists are preparing a constitutional referendum aimed at the expropriation of the three biggest banks to transform them into companies of mixed ownership.

Q—You preface your book with a comment of Lenin to the effect that the proletarian revolution would start in Switzerland.

A—Lenin was convince in 1917. He said Switzer the most advanced capit so that the objective cont of capitalism was also clearly in evidence. peculiar to Switzerlan "hedgehog" mentality. T live on the defensive a shouldn't exist.

Switzerland would like the moon. It is not. T bankers are traveling i unshakable in their c that they are the best, God, fighting the bad after honest people's mc there are young peopl up, and Switzerland is p capitalist system which crisis. The Swiss are a people with a very rich tradition. Without their they could be a great, p emplary nation in the w

Q—Do you believe in i in Switzerland?

A—I'm fighting for cratic, pacific change country because the ban tem of this country kil in Bangladesh, in Chili and Guatemala every causality is detailed in At the end of this centur that revolution will Switzerland.

World Changes Menace Geneva as UN 'Hom

(Continued from Page 1.)

government in Bern is trying hard to promote as an essential adjunct to the concept of active neutrality. Within a relatively short period the international image of Switzerland has taken a distinct turn for the worse. None other than Mr. Graber pointed out recently that things were getting increasingly uncomfortable with the country running the risk of universal opprobrium. Why?

To begin with, last year Swiss voters in a rather irrational fit of pique turned down a SF 200 million loan to the International Development Association. Other industrialized countries refused to pick up the Swiss tab, and the developing countries quite naturally read the signal as confirmation of their growing belief that there was more commercial self-interest than altruism in Swiss foreign policy.

Internally a much-publicized court case on the ethics of Nestlé's sales campaigns combined with heavy sales of the controversial book by Jean Zeigler attacking "Swiss imperialism" caused more open discussion on the real role of Swiss commercial interests abroad than ever before.

Many Swiss who years before had greeted large numbers of Czech refugees with open arms were shocked by the government's parsimonious attitude towards Chilean refugees in equally distressing circumstances.

Changing Times

All told, it seems that times have changed: with increasing uncertainty about the economic future, a marked polarization in Swiss political affairs and a general trend towards introspection, it has become more difficult for the federal government to maintain a positive, outward-looking foreign policy. And the presence of international organizations in Geneva both depends on such a policy and gives it "body." As Professor Jacques Freyr Geneva's Graduate Ins International Studies nc presence "gives Switze 'political profile' and u what has long been a teristic trait of Swiss policy: its readiness to pa in world affairs provic does not breach the c of neutrality. In the many, Swiss neutrality justifiable if it supports tive policy expressed in services within the inte community."

From a prosaically Sw of view, that is wha science" and the Hum Conference are all abo

Georg Fischer ensures water supplies in the Arabian desert - for without water there is no life

A desert country like Saudi Arabia needs water. Progress depends on water. Without water systems Arabian farmers and their livestock have to wander from one oasis to the next in order to survive at all. This country, whose vast oil reserves make it one of the richest in the world, can develop and expand its modern civilization only if urgently needed water is available at the right time and in the right place.

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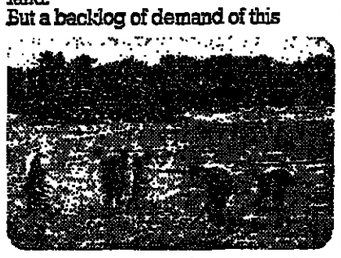
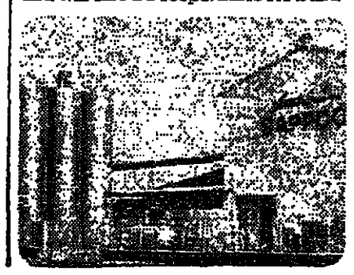
To satisfy the enormous water requirements of a desert country like Saudi Arabia efficient, reliable water supplies are essential. Hundreds of new apartments in fast-growing towns have to be connected to adequate services. A young rural economy needs irrigation systems to transform desert regions into fertile, arable land.
But a backlog of demand of this



magnitude poses problems – problems which are solved with +GF+ technology. Following intensive research +GF+ has succeeded in developing products which are particularly resistant to the aggressive properties of soil and water in these regions. As a leading manufacturer of pipe connections and fittings in both cast metal and plastics in Europe, +GF+ is the right partner in the Middle East. More and more Arab companies are realizing this.

One such company is the Saudi Arabian Plastic Products Company, a local manufacturer of plastic tubings. In partnership with +GF+ this company has founded in Riyadh a joint subsidiary, APLACO, which will manufacture in Saudi Arabia certain items of the +GF+ range under the technical and commercial guidance of the Schaffhausen group. +GF+ has analyzed the market and carried out requirement forecasts for its partner and will also be responsible for building and equipping the manufacturing facilities and for the education and training of personnel. APLACO is an example of true partnership – the kind of joint venture which +GF+ is seeking all over the world.



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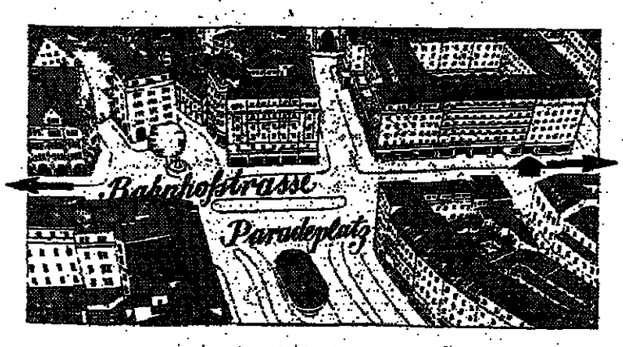

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e President of the Confederation Talks of the New Constitution

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mittee chaired by a former federal councillor—FT. Wahlen—to collect opinions and suggestions for a future federal constitution and to prepare a model for a new constitution.

It concluded its work with the publication of an 800-page final report and in May, 1974 a 40-member commission of experts, under my chairmanship, began work on the basis of the extensive material of the "Wahlen Commission." The experts have until the end of the year to present the government with a detailed project for a new constitution.

Next year, when it has examined the commission's proposals, the government will have to decide on the next procedural stage. Presumably a decision will be taken to continue the work of revision.

Q—Assuming the three fundamental principles of democracy, individual liberties and federalism are respected, what major changes do you envisage under a new constitution?

A—There is no doubt that the Confederation will continue to develop along a path of broad democratic participation, with protection for extensive individual freedom and according to federalist principles. In other respects the Swiss Confederation is in the process of developing into an advanced social state.

A total revision of the Constitution will not bring major changes in the structure of the state. It would, however, be wrong to say that discussion should only cover mere retouching of the substance or textual and layout improvements, in other words mere "constitutional cosmetics." The principal objective should be, rather, to mould the basis of constitutional law in such a way that the confederal community can meet exacting requirements in a period of rapid change both now and in the future.

The major objectives can therefore be summarized as follows:

• Switzerland's economic situation and the financial problems which Confederation, cantons and communal authorities have to face today, force us to reconsider the basic question of who in our society is responsible for what. This applies to the relationship between citizen and state. A new constitution must decide which duties the state should cease to fulfill in the future, which tasks it should continue to carry out and which new responsibilities it should take on.

• The problem of the division of powers also arises in the relationship between the Confederation and the cantons. Today's Swiss federal structure is complex, characterised by the fact that the separation of powers between Confederation and cantons has become difficult to grasp. It is fair to speak of a crisis in the coordination and performance of state responsibilities. If it proves possible to restore order in the relationship between the Confederation and the cantons and, while guaranteeing the cantons' necessary political independence, to re-establish a rational separation of powers between them, then a principal item of the reform under discussion will have been accomplished.

• Another crucial point is the consolidation and extension of individual liberties. This must be seen in conjunction with the need to widen our constitutional jurisdiction—not very developed by comparison with foreign models—and thus strengthen the legal protection of the citizen.

• Developments in recent years have shown clearly that the arrangements governing citizens' democratic rights require thorough revision. These rights should be simplified as much as possible at federal level, although without restricting participation.

• Another aim is to rationalize the structure of our authorities and the process of political decision-making. This is primarily a matter of cooperation between parliament and government as well as the rationalization and redefinition of their respective duties.

• The revision of the social and economic order, and of property rights, was the objective of exhaustive discussions. The commission of experts for the most part favor an economy providing room for development, ensuring that the state could, in case of need, take objectively correct economic measures without loss of time.

Q—The 1874 Constitution has in fact undergone more than 80 modifications in the course of the last century. Is it really necessary to make a complete change now?

A—Since 1874 it has always been possible to modify our basic law to conform to developments, even if there have sometimes been delays, major political difficulties and great expense. Meanwhile, revised and transient solutions stand together, loosely and without any rigid classification, along with general principles and trend-setting rules.

The general principles and major concepts often lie hidden beneath trivial matters and items that are unimportant in themselves. Total revision of the Constitution is desirable if only because it provides the opportunity to bring out the fundamental, long-standing principles of our body politics as basic guidelines for both citizens and authorities.

Besides, if in the long term we wish to keep our state democratically viable, then we must reconsider the system of popular democracy as a whole and take a serious look at more radical reforms.

Q—Switzerland was one of the last countries in the world to grant female suffrage, but the only country where this was achieved on the basis of a popular vote. But Swiss women in many respects are still not equal to men in the eyes of the law. Will the new constitution finally get rid of this discrimination?

A—Equal rights for the sexes is not yet a reality in every sphere of the Swiss legal system. However, careful study leads to the conclusion that our country is not by any means at a disadvantage compared to influential European states. The emancipation of women has made substantial progress in recent years in many areas.

The question of equal rights is particularly important in connection with the current revision of family law. The new children's law will come into operation in January, 1978, the draft proposal for the general law on marriage and the property of married couples has already reached the consultation stage, and preliminary work on a revision of the matrimonial and divorce laws is going ahead.

The commission's provisional draft incorporates an explicit guarantee of equal rights for men and women. Generally, the legislature should provide equal treatment for men and women, especially as far as family matters, education and work are concerned. A final principle is that men and women should have the right to the same pay for the same work. This will involve creating an extensive body of constitutional law for the practical realization of equal rights, where these did not already exist through contemporary interpretation of the existing basic law.

Q—Do you think a new constitution will spell any fundamental changes in Switzerland's position towards her European neighbors and the rest of the world?

A—A new federal constitution would bring no fundamental changes in the relationship between Switzerland and its European neighbors or the rest of the world. Drastic about-turns in foreign policy are not part of Swiss tradition or conviction. The constitution must be designed to leave space for development, assure parliament and the government sufficient room for maneuver and secure appropriate democratic participation for the people.

A new constitution must recognize that a small state such as Switzerland is part of an intricate web of international relationships, that its individuality and independence are not dependent on its own decisions alone and that it is bound to participate in the shaping of the international community within the limited means at its disposal. The obligation to work together for world peace will be mentioned in the preamble as a general principle. The constitution must incorporate a guarantee for the country's independence while expressing acceptance of a just and peaceful international order in a spirit of solidarity.

However, the commission is against formulating specific targets for the conduct of external affairs on the grounds that changing conditions can necessitate modifications in the guidelines of foreign policy. This applies to the principle of neutrality as well, even though it is the basis of our foreign policy, receiving the widest possible support, and will need to be maintained in the future.

The Swiss electorate (people and cantons) have recently approved a moderate extension of the so-called international treaty referendum. The Constitution enables the sovereign (the people) to express their views on the most important foreign policy issues—membership in supra-national organizations for example. Naturally, the question of possible Swiss membership in the European Economic Community or the UN would require the approval of the electorate. However, it cannot now be stated positively when the right time for this will be.

Q—What happens if a new constitution is again rejected by the Swiss voters?

A—As yet there has been no extensive public discussion on total revision of the federal Constitution; only the parties and central organizations were given the opportunity to state their position recently at hearings. The commission of experts will try to submit a draft which seems politically acceptable. Generally, the results of the consultation procedure mentioned earlier will show the government which innovations are politically awkward, which suggested solutions could endanger the draft. The government will not decide to submit a draft project for the total revision of the Constitution to parliament—or possibly a constitutional council—before it can provide politically effective solutions and has a real chance at the polls.

It should be remembered that the political climate can change within a few years. The situation of the Swiss state today presents us with real problems, and this forces us to attempt to identify which problems are crucial for our society. At the same time, we are presented with a real opportunity to initiate and carry through reforms.

Even if the "Project Total Revision" were to miscarry, either in a referendum or at an earlier stage, the preparatory work will not have been in vain. The relevant stock-taking and the laboriously formulated reform proposals will remain relevant for the renewal of our national structure and the promotion and further development of our constitutional law.

I am convinced that our community is in a position to realize such reforms as may be necessary while respecting traditions and lasting values.

E. Rieben

Kurt Furgler, President of the Confederation.

– *in Throes of Change*

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able to live with might be approved, it can put in its own watered-down version and thus disperse the vote since the citizen can only vote "yes" to one or the other of the alternatives. But the initiative does serve the useful role of bringing issues to the political forefront. The coming votes on abortion and conscientious objection have both emerged in this way.

Of course, federal affairs are not necessarily the most important in terms of their impact on the daily lives of the citizens, particularly since most taxation is handled on a cantonal and communal basis. Direct or semi-direct democracy implies a more intense participation at these levels. But the degree of apathy on the one hand and the sometimes deliberate mystification on the other ensure that the average citizen who does not have too much time to study the issues gets the thin end of the stick. How much agricultural land in Switzerland has been reclassified in this way for the greater enrichment of a number of farmers and real estate speculators?

The more acute realization of these kinds of shortcomings is healthy for ultimately the Swiss have the means to correct them. With it has come a greater understanding of and sympathy for the political drop-outs—not those who simply neglect to vote but those who have decided not to. Many students and young people have opted out of participatory roles in the present system although they are highly politically motivated. They vote with their feet by on-site demonstrations against nuclear power stations, the destruction of trees and the annexation of green spaces for further construction. But their preoccupations go well beyond ecological concerns. They have, in fact, established a form of extramural opposition which should not be ignored for too long.

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1968 — S.Fr. 1,056.70
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1972 — S.Fr. 1,415.50
1973 — S.Fr. 1,438.
1974 — S.Fr. 1,488.50
1975 — S.Fr. 1,546.50
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Two Giant Multinationals—One for Home, One for Abroad

Ciba-Geigy

BASEL (IHT).—With group sales totaling SF 9.5 billion in 1976, the Ciba-Geigy chemical group is the second largest enterprise in Switzerland after Nestlé. Created by the merger in 1970 of two Basel-based concerns, the group employs some 74,400 people worldwide, including 20,700 in Switzerland. About 98 per cent of its products are sold outside Switzerland, and the greater part is produced by the group's companies abroad. Essentially the manufacture of the active chemical ingredients is concentrated in the Swiss facilities of Ciba-Geigy, while the compounding of these to form finished products is decentralized, permitting adaptation to specific customer preferences and legal requirements in various countries.

The formula has worked extremely well, but has not spared the company from the impact of the latest worldwide recession. In previous downturns it was possible to offset poor results in some countries by improved results in others. This time the high rate of the Swiss franc and the generalized slowdown in business, particularly in the Northern Hemisphere, marked by falling sales and higher wages and welfare costs, have had a negative impact on company results for the first time in twenty years.

The black year was undoubtedly 1975 when output and turnover for the Swiss chemical industry as a whole declined by some 18 per cent, bringing production volume almost back to 1972 levels.

Mediocre

The first six months of last year saw a welcome revival. Government production indices showed an increase in output in the first and second quarters of 16 and 19 per cent over the same period in 1975, with the dyestuffs and plastics sectors in particular turning in a good performance. But if Ciba-Geigy's directors were again able to breathe easier, the respite was of short duration—the revival levelled off appreciably during the second half, and the year as a whole was, at best, mediocre.

Group sales were up 5 per cent over 1975, with plastics and additives and dyestuffs and chemicals leading the field, admittedly from a particularly weak base. The pharmaceutics division remained in line with the general trend, while agrochemicals, which gained 7 per cent in the previous year, when calculated in Swiss franc terms, went into a 5-percent decline. This was the result of lack of foreign exchange in many export market countries and the extreme weather conditions prevailing during the year. And while group sales, in the entirety, are marginally above the 1974 level, group profits have not yet reached the level attained in that year nor, as the board of directors ominously points out, the level "required by the business in the long term."

Ciba developed from a small silk dyeing business soon after the first coal-tar dye was discovered in 1856. The name, an acronym for the Society of Chemical Industry in Basel under which it was registered as a limited liability company in 1884, became so well known that it was adopted as the official company name after the Second World War.

Range

By that time the company had enlarged its range of products, branching significantly into the pharmaceutical field well before the end of the 19th century, and introducing textile auxiliaries, cosmetics and plastics after the First World War, to be followed by epoxy resins in the 1940s, and pest control, animal health and hygiene products in the 1950s. Dyestuffs experience also led into the field of photochemicals with accompanying activity in the area of electronics technology.

Geigy, the oldest of the Basel chemical concerns, began in 1758 as a family chemist and druggist business which, in tune with the flourishing textile industry, soon branched out into dyes, and moved into manufacturing in the 1830s. The company went public in 1901 and achieved a worldwide reputation for the development of insecticides during the Second World War. A selective range of herbicides, developed in the Geigy laboratories and introduced in 1956, added a further range of products.

The lack of natural resources in Switzerland pushed the two companies into specialization in original high-quality chemicals. A strong accent was put on research and development, in which some $290 million were invested in 1975, representing about 8 per cent of total group sales. Significantly, in view of the pattern of sales and the large number of group companies abroad, some 60 per cent of expenditure for research and development goes for activities in Switzerland. But along with the other two major Basel chemical concerns, Roche and Sandoz, Ciba-Geigy is questioning the extent to which it can afford to stay Swiss-based.

Move Abroad?

The trend within the chemical industry worldwide to set up production facilities near or in potential markets, the high Swiss franc rate and the sheer cost of manufacture in Switzerland where the average wage for Ciba-Geigy's employees is pushing $20,000 a year, plus the fact that for ecological and other reasons it is becoming increasingly difficult to find suitable sites for new plant—all seem to spell the sagacity of a move abroad. Indeed, less than 40 per cent of Ciba-Geigy's current capital investments are now spent on the parent firm and its Swiss-based branch firms. The tendency to expand capacity abroad is already there, and could be accentuated in the future.

The impact of the Swiss franc revaluation—almost 60 per cent towards the end of last year on a trade-weighted basis as compared to pre-Smithsonian levels—has meant, according to Louis von Planta, the managing director, that Ciba-Geigy's domestic operations are too costly. Efforts have been made to cut costs, streamline the organization and increase productivity. But even so the operation is being pulled increasingly out of Switzerland. Research and development appears to be more attractive, financially, in other countries, and one wonders whether in the final, long-term, outcome, this Swiss-based multinational may not join the hordes of other foreign multinationals with holding companies here, but precious little else.

Nestlé

VEVEY (IHT).—"Undoubtedly the most multinational of the multinationals," according to its chairman, Nestlé, with 300 factories and more than 700 sales branches and depots spread all over the world, is also the largest Swiss company by far.

Its international operations has made the Vevey-based company particularly sensitive to growing criticism of transnational companies and the role they play in the national economies of poorer countries.

Nestlé has made numerous and costly efforts to illustrate that, as far as it is concerned, this role is a positive one. The preoccupation is underscored repeatedly in recent annual reports. Nestlé's highly successful efforts to maintain its "international position" is counterbalanced by the help it brings in the solution of the "world's malnutrition problems." Or, again, conscious of the confidence of consumers, the company feels called upon "to cooperate with governments requesting assistance and to make its contribution to the solution of the basic problem of human nutrition."

It cannot be denied that such a contribution is being made, albeit within the context of a highly commercial orientation. But by far and away the most dynamic sector of this food industry giant is that of instant and liquid drinks, with soluble coffee well in the lead. This sector now accounts for almost one-third of the total Nestlé turnover, or more than SF 6 billion worth of business. And since the highly developed countries of Europe and North America are the main markets, with 47 and 36 per cent respectively of sales, it is hardly surprising that soups, bouillons, seasonings and prepared dishes also figure high on the performance list.

Infant foods and dietetic products, which were the basics of the company founded by Henri Nestlé in 1866, are much less significant in terms of sales, holding only 7.4 per cent of the market. And at times during the last two years, some company officials may have felt that they could have done better without the baby-food business altogether—although not for commercial reasons.

Coming on top of the attacks on the size of Nestlé, the company was accused by a Swiss action group of killing babies essentially through excessive and unethical advertising for its baby-food products in developing countries. Whatever the merits of the case (and the Swiss court's findings constituted something of a standoff), it generated a great deal of negative publicity.

Fortunately for the shareholders, neither this nor the staggering increases in the prices of raw materials (mainly green coffee and cocoa) nor the continued appreciation of the Swiss franc against other currencies have soured the balance sheet.

The consolidated trading profit in 1974 remained the same as for the previous year, and the net profit took a small bump. But apart from that the company has gone from strength to strength. Turnover, at more than SF19 billion last year, has increased two and a half times in the last decade. Net profits, SF872 million for 1976, up by 9.1 per cent over 1975, have risen in nine out of the last ten years and have never fallen below 4.2 per cent of total turnover.

But even these positive figures do not fully represent the strength of the company. The latest annual report notes that the improvement in the 1976 turnover compared with the previous year would have been 16 per cent instead of the 4.2 per cent recorded, had it not been necessary, as a result of the high level of the Swiss franc, to convert the turnover expressed in the various local currencies at rates less favorable than in the previous year for the great majority of countries. The management concedes that the evolution of sales "can certainly be considered satisfactory."

At the same time the restrictive policy on capital expenditures on land, buildings, plant and machinery adopted in 1975 was continued. But not at the expense of productivity or future expansion. Research has also been maintained at a high level with efforts especially directed towards soya seeds—which could "play a far greater part in feeding mankind in future."

Besides the product mentioned, Nestlé has extensive sales in milk, yoghurt, chocolate, coc confectionery; and froz and ice cream. It Peter-Cailler-Kohler choc 1929, Maggi soups in 194 in 1962, Libby McNeill a in 1970 and the Stouffer tion in 1973—and these the highlights of an inc accelerated acquisition In 1974 Nestlé branche food for the first time takeover of the Pa cosmetics and essences L'Oréal. Besides, it has holdings in myriads of c ranging from Vittel waters to the Saudi Arab Establishment which 1980, at providing a comp every day for 800,00 Arabian schoolchildren.

The company is pro very international flavo it feels, not unnatural keeping with tradition. Nestlé's creation of mil only one side of the this industrial giant same year, 1866, Charle described in the offici biography as an America and onetime war corre for the New York Tribu a limited company ir under the title Anglo-Sw densed Milk Company.

The Anglo part was the British, whom he a would be his best cli fact the original plan fell through, were to densed milk manufac Switzerland under the brand, paying a small r the American company w pioneered canned-milk tion ten years earlier.

The successful operati grew out of this enterp a production plant on of Zug, became a bit mercial rival of Henri Vevey—a rivalry which up to 1905 when the panies finally merged. from today, the great mercial achievement of was undoubtedly the de of instant coffee short the Second World Wa must be few people inde industrialized world w know that particular bra

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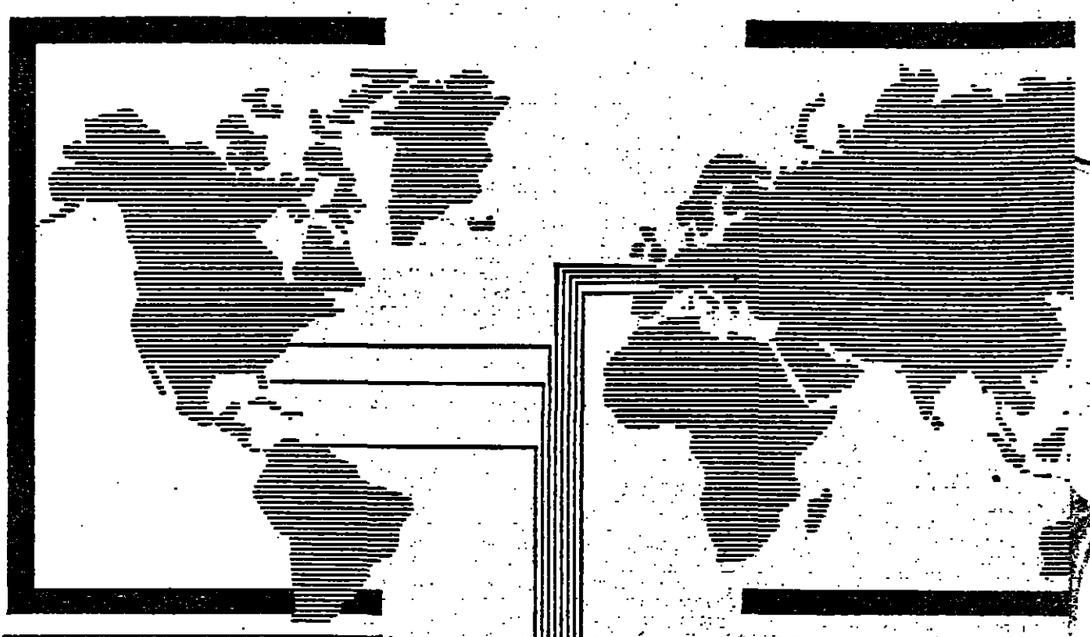

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Consolidated balance sheet total at 31.12.1977 Sfr. 2,700 millions
Consolidated deposits at 31.12.1977 (including trust accounts) Sfr. 4,630 millions

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هكذا من الأصل

Bank Scandal Stirs Up the Dust: A Call for Reform

IHT).—A heavy cloud over Swiss banking. : been bank failures :: Indeed, an unoffi- sets the number of vitzerland which have se at 28 in the last s. And there have well-publicized losses uthorized foreign ex- alings, uncollectable easonable speculation ety of other suspect operations indicating ntrol over banks by ities is not as effi- ever as it should be. ers have habitually hat the institutions frequently controlled interests and should idered a part of the king establishment. r" banks, as one urich manager once were giving Switzer- name.

ks uncomfortably as the rumors about gement and sharp coming home to current scandal in- Crédit Suisse—one of Big Three commer- has shaken public n the system to a ctent than the banks re yet prepared to ore than this, heat- er the operations of Chiasso branch has e media, and in the nent. The tighter anking has become ssue like never be- e government—the wiss Federal Coun- no bones about its over the broader of this scandal.

tion with the two iss banks, the Union itzerland and the Corporation, the nal Bank—Switzer- al bank—took the al step of offering a stand-by credit to dit Suisse if needed. erted as being un- the Zurich manage- it Suisse, but it sent ket into a flat spin ired fears that the ed in the Chiasso be far larger than illion ($100 million) ated. To crown it prosecutor investi- ranch activities in now claims that f as much as SF 1 volved.

rly take some time full story emerges. esent tense situation no fudging as re- ibilities—as has been the unprecedented f both the honorary the board and the ger of Crédit Suisse.

evisions

ond the immediate is now a strong mo- rise certain funda- es of Swiss banking, ong them the sen- bank secrecy, num- and the continuing ds of sometimes from abroad. The outspoken president of the Swiss National Bank, Fritz Leutwiler, has not hesitated in the past to voice his misgivings concerning numbered accounts, the incredibly rapid growth of international activities on the part of Swiss banks, and the fact that, like it or not, some Swiss banks do launder dirty money. On this and on the score of tighter controls, he has until recently been fighting an uphill battle against a heavily entrenched banking establishment. Now he has a much-strengthened public opinion running in his favor.

Above all, it would seem that the latest scandal has knocked the stuffing out of the "holier than thou" attitude on the part of the major Swiss banks. In the past it was always the others who got involved in tricky deals or accepted deposits with no questions asked. Now such attitudes have lost much of their credibility. If the Crédit Suisse was sucking in Italian money through its inflated Chiasso branch and then channeling it through Liechtenstein, can the other big banks have been far behind? Cosmetic measures are now no longer sufficient to deal with the banking situation. As the president of Switzerland's Social Democratic party said in parliament the other day, the time has come to put a stop to "dubious speculative transactions which have long been considered good form by the big banks." And while the Social Democrats are unlikely to achieve more than a small part of what they are asking for in the way of reforms, it would seem that major changes are now in the cards.

Controls

The banks will of course continue to fight more controls as they have done over the past few years with respect to the flood of regulations aimed at controlling excessive flows of foreign and domestic funds. But it will be more difficult than ever to charge the authorities with killing the goose that laid the golden egg. At a time when the Swiss economy as a whole has been going through the roughest recession it has experienced in more than a generation, the banks have been doing very well indeed. The year 1976 was no exception to the general rule and produced new records in assets and profits for the banks.

The combined balance sheet total of the 71 banks reporting such data on a monthly basis rose in February of this year to SF 268.7 billion, up from SF 247.4 billion in the same month last year—a progression of 8.6 per cent.

In ten years the total assets of the Union Bank of Switzerland have, themselves, increased from some SF 12.6 billion to SF 52.7 billion, and, of course, profits have moved up as well to reach a record SF 234 million last year. And this picture is typical for the other big banks.

Perhaps it is true, as it has been suggested in Zurich, that the great days of internationalization of the Swiss banks are over. But the level of foreign liabilities and assets in the banking system remains very large. The Swiss National Bank has set these at 27.3 and 34.8 per cent for the total 1975 year-end balances, and the percentages are hardly likely to have changed significantly since then. Other estimates put the total value of securities administered by Swiss banks as high as SF 300 billion, close to double the amount of Switzerland's national income.

Second Thoughts

Does all this mean that the banking sector is overgrown with respect to the size of the Swiss economy and in particular that their activities abroad are out of all proportion to the role that Switzerland plays in the world economy? The answer on both counts is a clear "no" from commercial banking circles. But other people who should know are having second thoughts.

It is not only in banking, however, but in financial activities in general that Switzerland plays a very large role on the international scene. Its position as a major turntable in the international capital market, with something like SF 40 billion in outstanding public market foreign loans and private placements, is mirrored in terms of sheer size by the stock market activity and the insurance and reinsurance business.

In turnover, the Zurich Stock Exchange is now second only to New York and London. Last year it booked more than SF 105 billion, compared with some SF 83 billion in 1975 and less than SF 59 billion in 1974. And figures for the first quarter of this year show the Zurich bourse turnover running ahead of equivalent data for 1975 by some 57 per cent.

Progression on the Basel and Geneva exchanges is equally impressive. All have heavy listings in foreign securities, in excess of 350 for bonds and some 135 for shares. Commission levels are low and improved facilities are being introduced. The Basel exchange, which last year celebrated its 100th anniversary, is looking into the possibility of allowing foreigners to join its ring membership.

Insurance

Switzerland is also a leader in insurance and reinsurance. Premiums are probably now in excess of SF 15 billion a year with well over half accounted for by direct or indirect foreign business. Indeed, taking the reinsurance business separately, 90 per cent or more of its activity is generated on foreign markets. On a per capita basis at least, Switzerland is by far the largest exporter of insurance.

The healthy banking, insurance and stock market picture bears witness to the political stability of Switzerland, its strong currency, a certain vocation in the area of financial services, a responsible approach and hard work. Ultimately, too, it depends on the proper functioning of the domestic economy. Here, in times which are recognized as critical, the banks have an important role to play.

Exports Figures Are Off to a Promising Year

BERN (IHT).—Having registered an increase in exports last year of nearly 11 per cent, Swiss industry got off to a very promising start in the early months of 1977. In value terms the combined January and February figures for overall exports were up by a full 18 per cent over the same period twelve months ago, setting for a total of SF 6.2 billion. This reflected higher prices, since in volume terms in the same period there was a small decline in exports from 610,000 to 605,000 tons.

With the exception of cheese, books and a certain patchiness in the textiles and clothing sectors, all branches of Swiss industry were doing better in export terms earlier this year than at the beginning of last year, which, in turn showed a sharp performance improvement over 1975.

In the metals, machinery and equipment industries, the upturn this year has been on the order of 16 per cent in value terms, with aluminum, metal-working and electric appliances and machines turning in particularly promising figures. The large non-electric machine sector has also seen values of export sales move ahead by nearly 10 per cent.

The chemical industry as a whole, after its strong showing last year, has seen a slower growth in foreign sales in the first two months of this year: plus 6 per cent.

Dyestuffs have remained stationary, chemicals are better but slow, while pharmaceuticals and cosmetics have been particularly in demand.

One-Twelfth

The textiles and clothing sector, which accounts for about one-twelfth of Swiss exports in value terms, has turned in another poor performance at the beginning of this year. Cotton products were again surging ahead, but at prices which, in some cases, are still well below costs. Synthetic fibers exports were down in the face of stiff competition abroad.

The overall export sales figure for the first two months of the year, SF 6.22 billion, would set exports well ahead this year if the upward trend is sustained.

Much depends on the level of the Swiss franc with respect to other currencies. But as a result of a heavy upturn in imports, the continuing high level of capital exports and the large spread between Swiss and foreign interest rates, the Swiss franc has actually moved down by some 3.5 per cent in relation to the currencies of its 15 major trading partners.

Switzerland's immediate neighbors—West Germany, France and Italy—are the three largest trading partners in terms of both exports and imports. This means that the European Economic Community figures very largely in the total Swiss trade picture.

Switzerland's free trade agreement with the community has encouraged an accelerated growth rate. Last year Switzerland exported some SF 16.678 billion worth of goods to the community, or around 45 per cent of the total. But at the same time the bill of Swiss imports from the community amounted to more than SF 24.524 billion, so that the trade balance was running a hefty SF 7.846 billion in favor of the community.

Partner

The United States holds fourth place in importance for Switzerland as a trading partner, and last year Swiss exports to that country increased by more than 18 per cent, while imports declined somewhat. Switzerland's former European Free Trade Association partner, Great Britain, is fifth on the list, while Austria, Switzerland's fourth neighbor, is sixth.

Overall Swiss exports were up last year in value terms by 10.81 per cent. In line with the good performance essentially of the chemical industries centered in Basel, last year's export figures show a sharp rise (nearly 20 per cent) in sales of raw materials and semi-finished products. Sales of capital goods, on the other hand, rose by less than 5 per cent in value terms, while consumer goods sales progressed by more than 6 per cent.

But the export sector was characterized essentially by "quantity expansion," meaning a gain in export volumes not accompanied by any significant improvement in earnings. Naturally the situation has varied from industry to industry and there are marked differences between various product ranges within certain industries.

It is likely that the story will be essentially the same again this year, although with an improved product line and a lower Swiss franc some hard-pressed industries, like watchmaking, are beginning to breathe a little easier. But again, much will depend on the impact of a revival in foreign demand, and how solid this is.

It is expected that the trade balance, rather than being positive as it was in 1976 (plus SF 174 million), will show a shortfall of up to SF 1 billion, which would bring the position more or less back to what it was in 1975.

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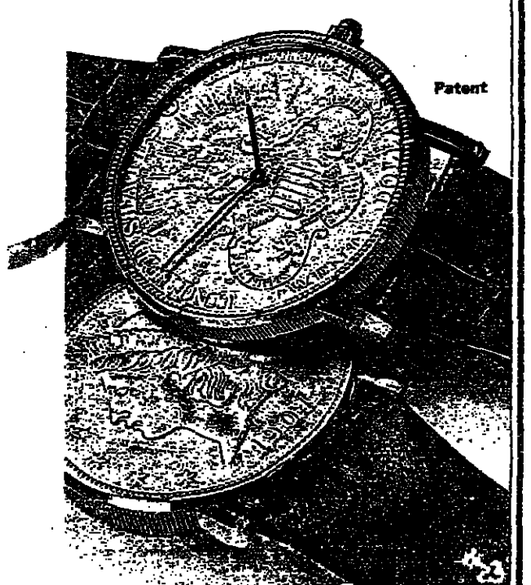

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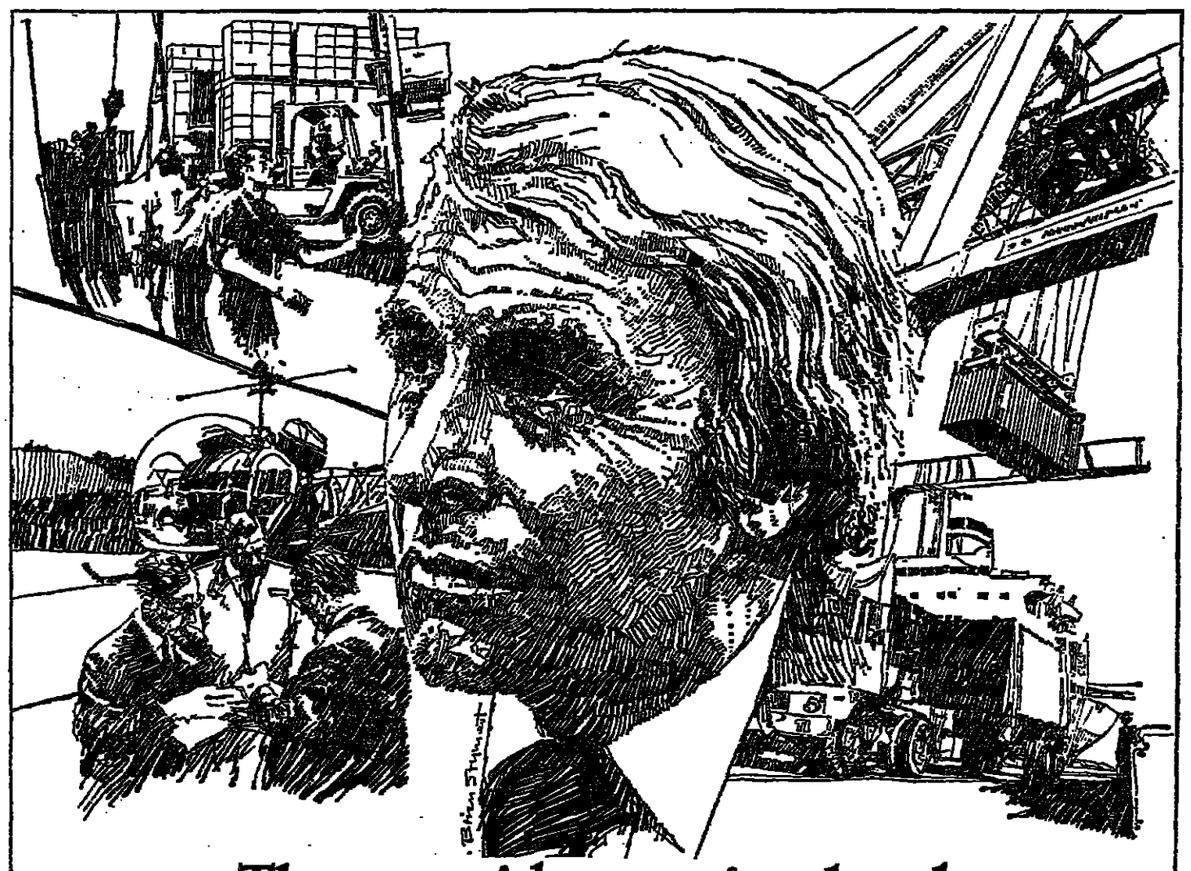

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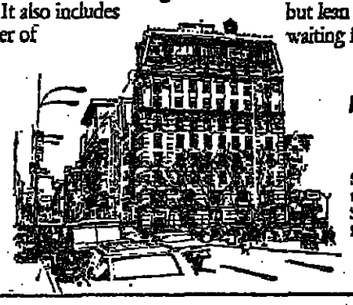

Trade Development Bank

Shown at left, head office of Republic National Bank of New York, U.S. subsidiary of the Trade Development Bank Holding Group. The 56th largest bank in the United States, ranked by order of deposits, Republic is one of America's fastest-growing financial institutions.

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Denis de Rougemont: Holding to a Respect for Individualism

GENEVA (IHT).—With more than 30 books behind him, Denis de Rougemont is one of the most prolific of contemporary Swiss authors. His new book, *L'Avenir est Notre Affaire* (The Future Is Our Business), will appear this summer.

More significant than the actual volume of his output—translated into 17 languages—is the fact that his writing is closely knit around two essential themes: respect for the individual and regionalism. An active participant in the movement for European federation for more than 30 years, he is presently director of Geneva's Graduate Institute for European Studies.

Although he still identifies closely with his native Swiss city, Neuchâtel, he has—quite typically—lived for more than 20 years in the region of France bordering on Geneva, and commutes across the frontier to go to work.

Denis de Rougemont believes that the Swiss experience with federalism is important for Europe.

In the following interview he brings out what he sees as some of the central features of this experience, addressing himself first to this year's emergence of a new canton in the Swiss Confederation. The Jura canton broke away from the canton of Bern essentially, he feels, because the latter failed historically to assimilate the essentials of Swiss federalism, particularly respect for minorities.

Denis de Rougemont—The canton of Bern, which for three centuries was an imperialist force, is an apt illustration of what happens when a state tries to centralize its administration and fails to recognize the differences within the population. The minorities are pushed towards separatist activity whereas in the cantons with a more developed sense of federalism and which are not centralist, it is very easy to manage the peaceful co-existence of different groups and even different linguistic groups.

The canton of Grisons encompasses four different linguistic minorities simply because there never was a significant majority attempting to impose its domination on the others. Each group remained in its own valley but the result was a successful experiment in federalism. Bern is the only canton in Switzerland where the issue of language has given rise to a separatist movement, and even a rather violent form of separatism at times.

Q—It would seem then that Bern did not learn the Swiss lesson?

A—Relatively speaking, Bern behaved towards the Jura in the way that France, the typical example of a centralized state, has behaved for centuries and still behaves towards its minorities with the result that these minorities are now separatist.

Many Bretons and Basques now say that they wouldn't even wish to remain within a French federation, but would like to establish ties directly to Europe as a federal entity. This is because they are convinced that France will never understand the concept of federalism or the idea of regional autonomy. When I say France I mean, of course, official France, Paris and official French policy.

Q—Do you think that separatism in the Swiss Jura would have been as virulent and have achieved the creation of a new canton within the Confederation had it not been for the example of separatist movements elsewhere in Europe? Perhaps on the other side of the barrier reactions were not all that Swiss either?

A—In situations of this kind with a centralist state the danger is that minorities are pushed beyond claims of autonomy toward outright separatism. That is to say a form of local nationalism develops which, but for the fact that it is on a smaller scale than the typical nation-state in Europe, is no better. People are pushed to adopt extreme political attitudes. Basically this falsifies the problem of regions, because they try to become little nation-states.

In Bern we see today a French-speaking majority in the Jura region, having achieved its independence, now trying to claim its "rights" on one French-speaking valley, Moutier, which decided to stay Bernese. The new Jura canton is in fact behaving imperialistically toward the Moutier Valley and cannot admit that *there is this little minority which* stays on the other side simply because that's the way the local people want it. In fact the new Jura canton is copying the behavior of the canton of Bern, as did the liberated Czechs with the Slovak and Sudetan minorities.

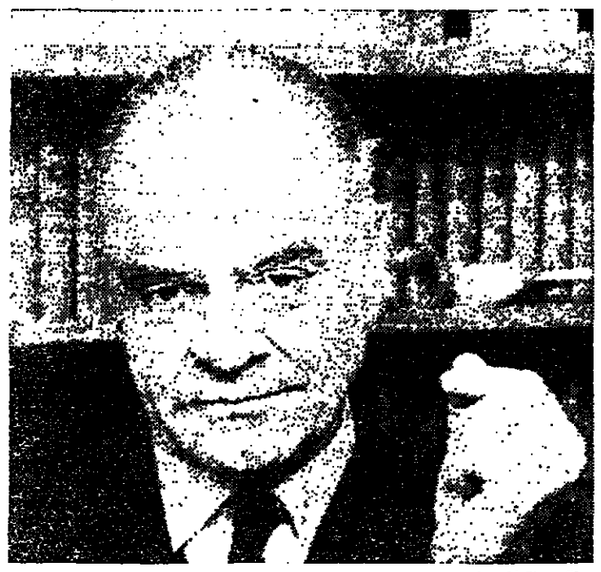
Q—You talked of regions and the creeping power of centralism. How do you react to the increasing economic hold on the country of the Swiss federal government?

A—To my mind federalism does not simply imply cantonal autonomy. The cantons are small states, but federalism is a principle of political organization which is much more broadly based. Essentially, it reposes on the ability to tailor the task at hand to the size of the community best able to handle it. Thus country lanes come under the authority of the commune while motorways are a federal affair, and certain other duties could be more appropriately handled within a federated Europe, or even have to be tackled on a global level, such as, for instance, the protection of the high seas.

It is not by any means evident that the canton is the most appropriate framework for everything. It is fine as far as a school authority is concerned. The fact that schools depend on cantonal authorities in Switzerland is a good thing because there can be valuable and useful *differences in education as between* one canton and the next, respecting local traditions and reflecting the essentially urban or rural nature of certain communities and also reflecting the basic religious trends within the population.

But in certain respects economic issues go far beyond the competence either of the communes or the canton. They require national or even supra-national solutions. I do not believe that it is possible to really tackle the problems of inflation and unemployment merely at a national level.

Switzerland has managed to get by on both these problems simply because it has been able to export a very large number of foreign workers. But this, in fact, underlines Swiss dependence on the rest of the world. The nation-state, centralization carried to an extreme, leads in the direction of the totalitarian regime and war. The other pole is that of regionalist federalism. This is a sort of total federalism stemming from the base: small communities which are federated little by little in accordance with the scale of the problems that they have to face. This gives an extremely complicated organizational system but one based on a single and simple principle: The decision-making level, the scope of the task at hand and the size of the community should coincide.



Donald Stampfli.

Denis de Rougemont

Q—How do you see the Swiss experiment with federalism?

A—The first necessity which emerges from the Swiss experiment is that of neutrality—the refusal to resort to the use of force to settle disputes. Why were the Swiss obliged to go neutral already in the 17th century, from the Treaty of Westphalia in 1648, and one might even say from 1515 and the Battle of Marignan? They were the best soldiers in Europe, but they had difficulty in agreeing on a coherent policy, firmly determined as they were to retain their autonomies and differences. They were beaten for the first time at Marignan because one group of cantons was more interested in what was going on in France and the other in developments in Italy.

The bigger the stature of the belligerent the more destructive is the war-making potential. Accordingly, if we are to reduce the risks of war we have to scale down the size of our unities. If we can get down to regions, these are too small to wage nuclear war. My whole interpretation of the history of Switzerland, of Europe and the world reposes on the antinomy between the desire for power and the will to develop a free and responsible individual person. If one opts for collective power, one goes the road of the nation-state and oversized centralized societies with a disciplined population and armaments which inevitably lead to war. The other possibility is the freedom of the individual which supposes the existence of small communities within which such individual liberties can be respected.

On the one hand you have *cities like New York or Paris* with from 10 to 13 million inhabitants: cities which have become ungovernable and in which the individual is reduced to a number. In these cities there are perhaps a few hundred elected representatives, whereas for Switzerland, with six and a half million, the number of elected representatives of the people, on communal, cantonal and federal level, is around 40,000. It's a striking difference. The bigger the community the fewer the number of elected representatives. At the end of the line, there is a dictator and a well-disciplined population—but this can no longer be seen as a community.

The history of Switzerland is very important for the future of Europe. Switzerland was born at a communal level. Even cantons are a modern concept, developed in the 18th century. Before that there were the *towns* and groups of rural communes. The first federal pact in 1291 was between three communes: the pact was in Latin and the communes referred to as *universitas*; this Latin word in the Middle Ages meant all the men within a given area. Thus communal origin of Switzerland is still very strongly felt. Swiss communes still enjoy much greater decision-making power than in France, Italy or Germany —even the little communes. They have their own financial base, and groups of communes which have certain common interests make up a region which, during the 19th century and under the influence of the concept of the nation-state, became cantons—or mini nation-states.

But these cantons are not the essential of Swiss federalism. The communes, about 3,000, are really the base, and enjoy a very large degree of financial and legal autonomy.

While in France the communes are on a monarchic pattern, in Switzerland we believe in the principle of collective authority. The mayor is frequently only there for a year on a rotating basis—it's the communal council which represents the authority in the commune. In France the council has almost no authority, and the mayor is a little king in his commune—except that he has virtually no budget: Most of the collected taxes go to Paris; very little comes back.

In Switzerland it is exactly opposite. Swiss federal taxes are minimal and were imposed only during the First World War and are still called the National Defense Tax—again showing the link between war and the central power. We are now in peace but we still continue to pay the National Defense Tax. A hangover from the war of 1914-18.

Q—But surely it is natural for some expenditures to be handled on a national level.

A—There are certain tasks which can and should be handled by the central government—by "Bern" as we say in Switzerland—the railways and the postal system for instance. You can't imagine a railway system which is simply the addition of differ cantonal railway systems. can't build motorways on basis of each commune paving little section. But everything that can be handled by the commune should be based on financial resources of the mune.

The same thing applies to e logical problems. Lake Gene polluted by factories in the C ton Valais, by Swiss towns a the north coast and by Fre rivers on the southern side of lake, with the national fron passing through the middle. can one save the lake from lution without forming a regi authority made up of all the c munes of the Lake Geneva ba Instead, we have set up an ternational commission, with lines of authority passing thro Bern and Paris, where con over pollution in the lake is r tively minor. It takes years fore a need expressed by the c mission is translated into and in the meantime the si tion gets worse.

Local people are acutely a of the impossibility of resol such problems on a national l Children realize this very they see economic realities terms of swapping, not tied to concept of national territory; environmentalists see it very —pollution has never been s ped by national boundaries.

On top of this there are linguistic and ethnic facts of —which have completely diffe frontiers. In the canton of bourg there are no probl related to the different langua The German-speaking part been German-speaking for turies, and the linguistic fro doesn't move, whereas the e omy changes all the time—all have to do is set up a factory in some area to comp ly change economic patterns

The rhythm of change conc ing language is perhaps a t sand years; concerning poli frontiers in Europe it is on age 89 years—I worked this and the rhythm of econ change is about five years. idiocy of national frontier that they represent artificial riers ostensibly encompassin these elements—plus, freque ideological considerations. aspect of life should be han on a different level and wi a different natural region

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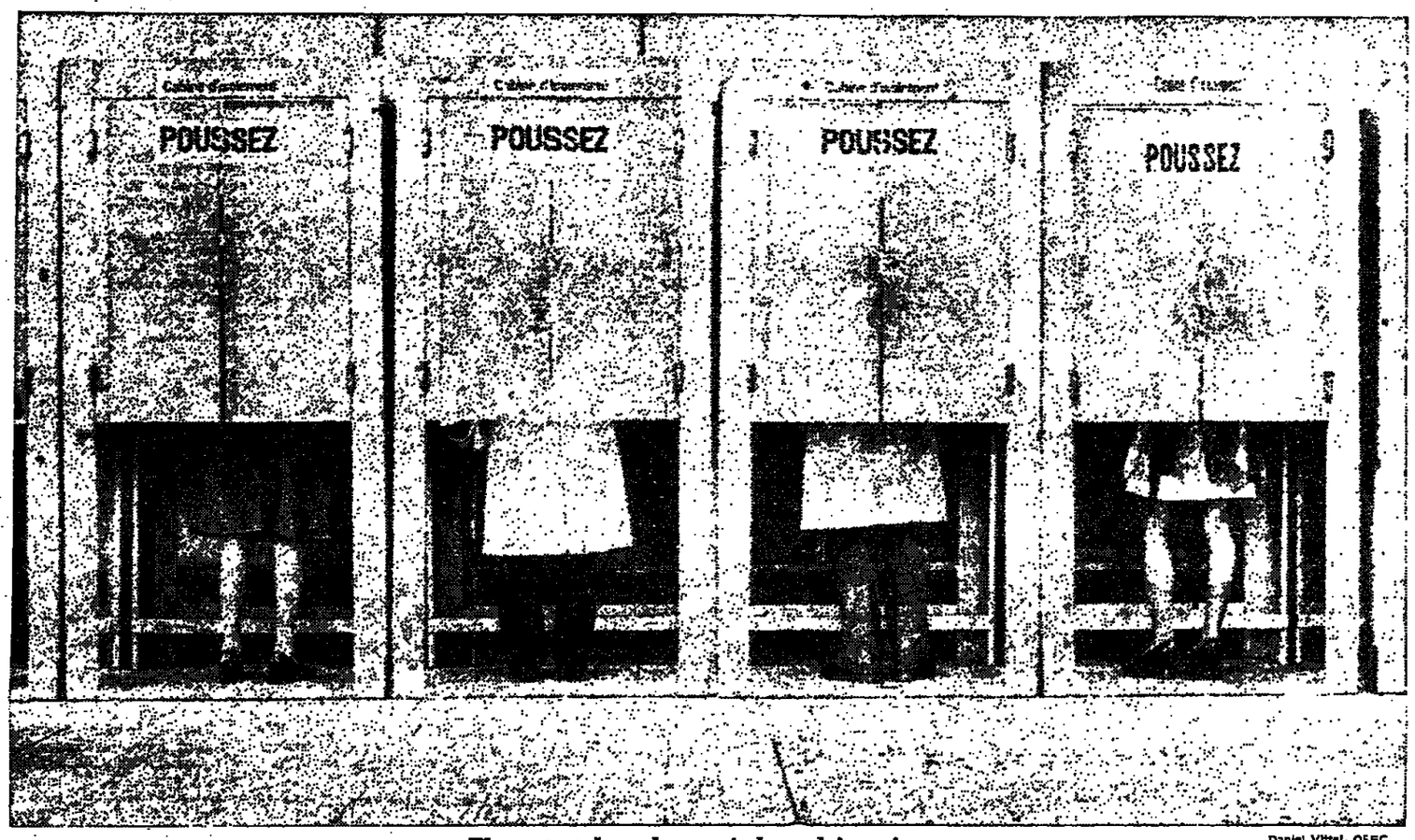
A Special Report

INTERNATIONAL
Herald Tribune
Published with The New York Times and The Washington Post
PARIS, MAY, 1977

FOCUS ON SWITZERLAND—1977

A Rich Nation in the Throes of Transition Displays Concern Rather Than Complacency



The vote takes place quietly and in privacy. Daniel Vittet, OSEC.

Headaches Abound

e Economy: A Blessing, lowever a Mixed One

(IHT).—On the face most any other in- country might be in- ke over Switzerland's roblems. Indeed, out- ers might query the f such problems in e startlingly healthy oduced by the Swiss unk.

with the best known he inflation rate is nning at just a little ne per cent annually by far of any OECD nd a spectacular when one considers ner prices rose by 9 per cent a year on the 1972-75 period. is with an unemploy- f scarcely more than per cent and a sur- rrent account which ow estimates at more billion for 1976—all d despite the heaviest at of any currency -and you have an in- eady mixture, par- hen compared with devaluation and nflation experienced Switzerland's major rtners.

er blessings could be in a country which up the ladder and richest of the rich apita basis?

Swiss have headaches, so. The rosy figures seen as the top layer a rather unpalatable t the Swiss are look- ve not yet found and y to find in the near me way of achieving growth—the longer- e of a small, export- untry which is par- nerable to the ero- economic climate in world.

p Recession

paid for the apparent- ding rate of inflation sharper recession than enced in any other try, and, indeed, the Switzerland since the arket prices the Swiss al product declined by in 1975, and in real still nearly 3 per cent evel reached in 1973. the 1976 year-end industrial production tood at 139, the same e previous year, and ints below the 1973 evels. In effect, up of total manufactur- y has been standing certain periods in the months.

the negligible unem- igure must be seen ext of a very severe n the labor market. It to have only 14,000 unemployed as of year, and an average 21,000 for the whole t the overall employ- tells a very different has dropped from its of 99.7 to 89.7 last rcentage terms a de- ore than 10 per cent. valve has, of course, eparture of large num- reign workers: in the ree years the number workers in gainful em- Switzerland has fall- 7,000 to 669,000, a drop an 25 per cent, while r of seasonal workers in construction has s much as two-thirds. thing to suggest an domestic demand on , the Swiss are reduc- ndence on recovery in tries to provide im-

is Survey

urvey was prepared ten by David Egli.

iss franc had a value 5218 to the dollar on

(Continued on Page 2.)

Way of Life Proves to Be Vulnerable

By David Egli

BERN (IHT).—Spurred by economic difficulties and criticism from within, the mood of Switzerland is changing. Complacency has given way to concern as, one by one, the time-worn tenets of the Swiss way of life are challenged and prove to be vulnerable. Given to introspection and conditioned from a tender age to move gingerly towards compromise when faced with alternatives, the Swiss are at a loss as to how to respond to the present erosion of the political, economic and social climate. Few, however, would deny the existence of an underlying malaise diffused throughout the fabric of a very diverse society.

The economy has weathered the worst recession in a generation, with a steeper decline in industrial production than in most other European countries, but it continues ticking along, if not as merrily as before still with virtually full employment and no erosion of real incomes. The unemployed are not lining the streets and everyone can still pay the high prices for food and necessities.

Still, there is a slightly guilty awareness that this is thanks to the unprotestingly quiet departure of hundreds of thousands of foreign workers and the overrated value that others put on the Swiss franc which was a major factor in holding down inflation. There is an awareness, too, of the precariousness of the economic situation, the fact that in several sectors at least there are companies which might not survive an additional turn of the screw, and that, in any case, considerable restructuring is called for in certain industries.

Strikes

So far the labor unions, by and large, have been playing the game according to the government rule book, but the "labor peace"—the contractual arrangement under which Switzerland has been virtually strike-free for a generation—has been under fire, and wildcat strikes in the watchmaking, typesetting and other industries have illustrated a newly and for some alarmingly pugnacious mood on the part of the work force.

Even the established labor unions have not been immune to criticism that they are in cahoots with big business and the banks in running the country along sternly capitalist lines. The continuing very high standard of living and moves towards improved social security have kept the left wing in line on the economic front, although the fact that Switzerland acceded to the first place in the honors list of richest industrialized countries at this time is considered something of a sick joke.

The uneasiness inspired by the suspicion that Switzerland may indeed be effectively ruled by a small oligarchy operating out of the board rooms of banks and the larger industrial concerns has also had its impact on the conventional wisdom concerning Switzerland's unique form of semi-direct democracy.

The harassed government (the seven-man Federal Council made up of a permanent coalition of four parties) reacted smartly to the latest bank scandal whereas in a different climate it would have tended to leave the whole affair to the due process of the law. The parliamentarians also feel themselves to be under scrutiny and have been less lethargic in the handling of day-to-day affairs. Within the political system there has tended to be a greater polarization of opinion.

Change

But more importantly, the realization has sunk in that the system itself is open to criticism. However good it looks on paper, and it has been held up for so many years as a prime example of a working democracy, the Swiss system is so full of checks and balances, so geared to the patient accommodation of the

(Continued on Page 3.)

World Changes Menace Geneva as 'Home' to UN Groups

GENEVA (IHT). — Although more than a hundred countries are taking part in the present Diplomatic Conference on Humanitarian Law here it is in many respects a curiously Swiss affair. Hosted and largely financed by the Swiss government and presided over by the Foreign Minister, Pierre Graber, the conference, now in its fourth consecutive year of meetings, is aimed at bringing the Geneva Red Cross conventions of 1949 more into line with modern military practice.

"Conscience compels us to success," Mr. Graber noted the other day in an appeal to everyone involved to get on with the work. But what he seemed really to be referring to was not the conscience of other nations in the face of the increasingly devastating effects of war, but the "conscience" of Switzerland—the awareness, acute on the part of the government, and certainly felt at least latently within large segments of the population, that this country must play an active role in international affairs and can do so quite convincingly in "humanitarian" activities.

The endless rounds of drafting to produce the two protocols now being discussed are themselves based on more than ten years of patient preparatory efforts on the part of the International Committee of the Red Cross which, despite its name, is a private, all-Swiss body.

A Center

Inevitably and intimately tied in with the Swiss concept of active neutrality, the impartial efforts of the International Red Cross to alleviate suffering during the First World War may have been instrumental in the development of Switzerland, and particularly Geneva, as a center for international organizations. In any case, before World War I there tended to be far more international congresses in centers like Paris, Brussels or London. The turning point came after 1918 with the establishment, largely at the insistence of President Woodrow Wilson and in the face of some considerable opposition, of the League of Nations in Geneva.

True, the city had an international vocation dating back to the time of Calvin and the Reformation. It was a centrally situated place of refuge for those subject to political or religious persecution, and its private banks—flourishing under the Protestant ethic—were already providing similarly protective services as far as money was concerned.

The League of Nations brought with it a flood of other international bodies. Geneva hotels discovered the advantages of a year-round clientele composed of government delegates attending meetings. But hardly had the rambling Palais des Nations—for years Europe's largest office building—been completed than the nations of the world found themselves back at war again and the League faded away.

Gradually Joined

If Geneva, too, did not disappear as an international center after World War II it was largely for practical reasons—there was this big white elephant of a building—and also because the Europeans felt that not everything should be in New York.

So the United Nations decided to set up its European headquarters here, and again this brought a bewildering new array of other bodies to the city. Specialized UN agencies joined the few survivors of the prewar period such as the International Labor Organization. The World Health Organization, the International Telecommunications Union, the World Meteorological Organization, the secretariat of the General Agreement on Tariffs and Trade (GATT), the UN High Commission for Refugees and others gradually installed themselves and transformed Geneva's skyline with monumental architectural affirmations of man's renewed faith in international solidarity.

Geneva as a city has many practical advantages to encourage this kind of development: it is still a small place where everything is within easy reach, it is centrally situated in Europe, it has excellent communications, things work as they tend to in Switzerland generally and it has, or had, this marvelously stable currency, the Swiss franc.

Even the Swiss found that they could not winkle international organizations, or even many non-governmental organizations out of Geneva. Apart from the Bank for International Settlements, set up in Basel for historic reasons, the Bern-based Universal Postal Union, an emanation of the mid-ninteenth century, and the Central Office for International Railway Transport, there are few other such bodies elsewhere in Switzerland.

The International Cyclists Union, the International Road Federation, the air carriers (IATA and non-IATA), the cardiologists, the Christian youth exchangers, the Council of Nurses, trade union federations, the Society for Krishna Consciousness or that of postmasters—all decided they had to be in Geneva. And it seems very unlikely that even the persistent efforts of the current Secretary-General of the United Nations to switch some parts of the huge UN administration to Vienna will do much to change the basic facts of the situation.

The Web

As one Swiss observer to the UN General Assembly put it a couple of years ago: "Geneva is perhaps a unique example of what one might call the organic development of an international city. For more than half a century this development has been steadily taking place in step with necessity . . . Thus there is a tight network of professional and human relationships joining the international organizations in the city. The web is perhaps invisible; it is nevertheless important for international cooperation . . . It would be regrettable if it were disturbed without due cause."

By now Geneva, and Switzerland have a strong vested interest in keeping things as they are. Despite right-wing local opposition, the federal government has poured a lot of money into the new Congress center where the Humanitarian Conference is being held. Perhaps 15-30 per cent of hotel nights registered in Geneva can be directly attributed to the international vocation of the city, and of course the local retail trade and the real estate agents have done very well out of the deal as well.

But there are a variety of dangers looming on the horizon. The growing importance of the developing countries in the UN decision-making process, the increasing influence of China, the important interests at stake in other areas of the world combined with a gradual decline in European influence; all these political factors are having an increasing impact. More and more major international meetings are distributed around the world, and the new bodies that are being created, such as the UN Environment Program in Nairobi, are being headquartered elsewhere.

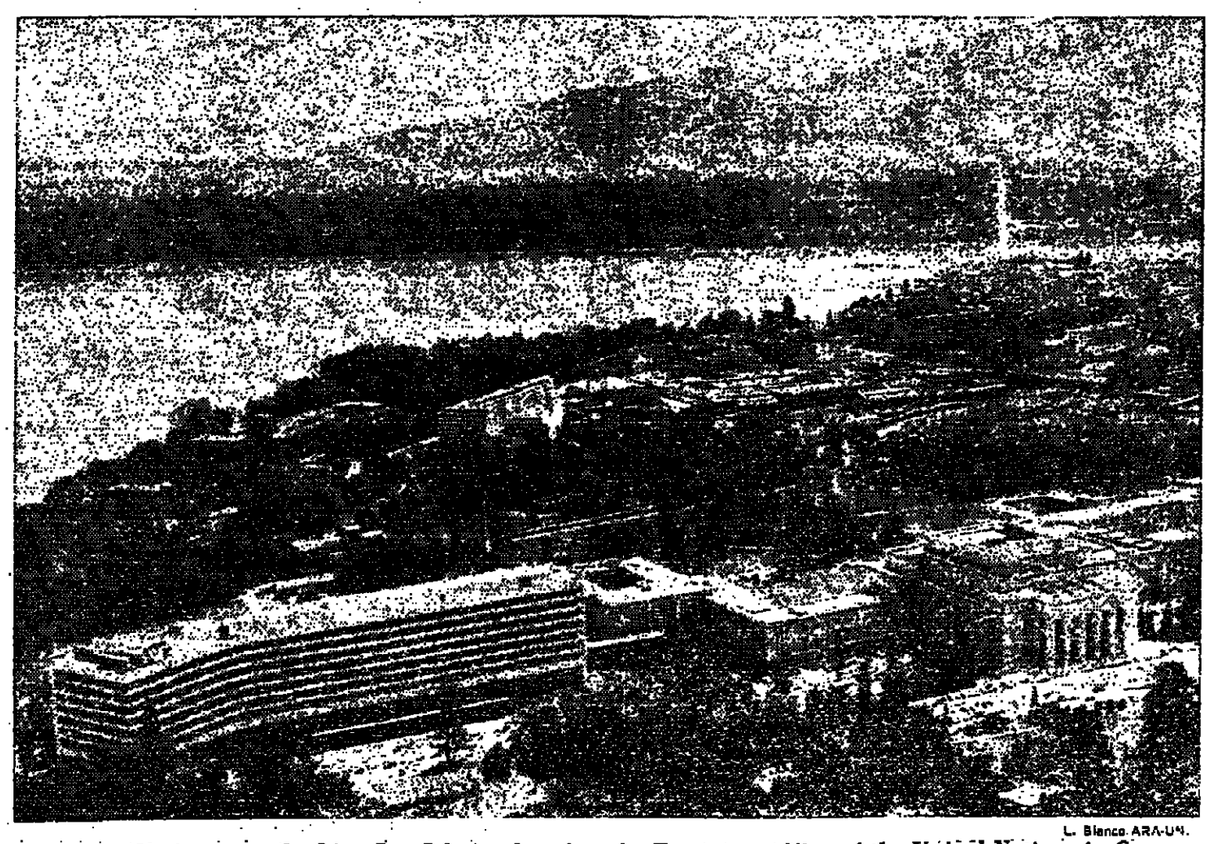
Too Healthy

Another source of concern is the Swiss franc which has proved altogether too healthy for comfort. The countries which pay the major part of UN contributions have watched with awe and misgivings as wages and costs in Geneva skyrocket in comparison with their local currencies.

Suddenly questions of efficiency emerge. News agencies carry stories of general staff take-home pay in Geneva translated into dollars and ranging up to a stunning $600 a week. A U.S. Senate report acidly remarks that: "All too often the organizations, headquartered in extravagant and luxurious surroundings, are ineffective, overstaffed with high-paid officials, under-represented by U.S. personnel, uncertain in their purposes, and unduly repetitious of the activities of other organizations." Anyone who has been in Geneva longer than a few days must agree, however reluctantly, to much of this claim.

But while these charges cannot be held against the city or Switzerland in general, there is another cause for worry—the apparent lack of enthusiasm of the Swiss themselves for the kind of international solidarity that the

(Continued on Page 8.)



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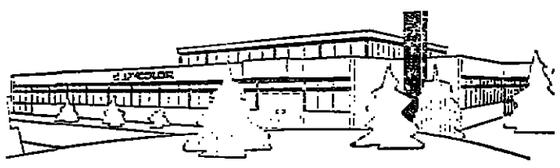

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Birth of a Canton: Outgrowth of Regional Needs, Separatism

DELEMONT (IHT).—The long constitutional procedure putting the final seal of approval on the creation of the new Jura canton will be completed in a little more than a year. At that time the official number of Swiss cantons and half-cantons, which has remained stable since 1814, will be increased to 26 in all. And despite the occasional violence which has marked the separatist movement over the years, and the continuing tense relationship between the new French-speaking canton and the German-speaking Bern canton from which it broke away, there is little doubt that the newly "independent" Jura will be broadly welcomed as a new member of the Confederation by the Swiss people.

But this is not an entirely happy event for the Swiss. While it may be seen as an illustration of their ability to modify structures which have become historically crystallized in order to ensure respect for the wishes of a minority, it is not a success in the context of the federalist approach.

At this stage most would not care to challenge the validity of the arguments put forward by the Jurassiens in their efforts to achieve that degree of self-determination offered to the Swiss canton or mini-state under the Constitution. But there is a certain sadness in the realization that essentially linguistic differences, and the friction caused by them, have resulted in the breakdown of a pattern of harmony which has served the Swiss people long and well.

Separatism

The Bern canton was not and is not by any means the only member of the Confederation encompassing two distinctly different linguistic and cultural groups. The cantons of Fribourg and the Valais are also divided between French and German-speaking Swiss but have managed, apparently without great effort, to avoid the kind of problems which have plagued the Bernese in the mountainous Jura region bordering on the French frontier. And it would be a sad day, indeed, if they too were to suffer this kind of internal dissension.

Some feel that Jura separatism was too largely inspired by separatist movements elsewhere in Europe and that it does not find a natural setting within the context of the Swiss experience.

The fact is that however proudly the formula of "one land —four cultures" is proclaimed, the Swiss of different linguistic and cultural backgrounds seem to spend a considerable amount of time simply ignoring each other, which is perhaps the best way of disregarding a certain latent antagonism which undoubtedly exists. In essence the French and Italian-speaking Swiss, as well as the small Romansh-language group in eastern Switzerland, tend to feel overburdened by the sheer economic and numerical weight of the German-speaking population, which accounts for some two-thirds of Switzerland's inhabitants.

With a few notable exceptions heavy industry and other important economic sectors are largely concentrated in the German-speaking part of the country, and undoubtedly the powerhouse of the Swiss economy is in the north.

The German-speaking Swiss, who appear to enjoy a higher degree of self-confidence, go to great lengths to avoid attitudes smacking of economic or cultural colonialism with regard to the other areas of the country.

Raw Nerve

Proportionally, they make a far greater effort to master the complexities of the Latin languages than the French or Italian Swiss do to speak German. The Romands, or French-speaking Swiss, in particular, seem to spend much more of their time developing sick jokes about the "federal" French spoken by their northern neighbors than actually attempting to speak German. This is a useful way of channeling antagonism.

But scratch the surface in Geneva or the Tichino and you expose a raw nerve, with complaints ranging from the number of German-Swiss employed in the banking sector to the high concentration of retired Swiss-Germans who have purchased land and opted to live on the sunny side of the Alps.

In reality the problem is not merely economic or numerical. It lies in the fact that the German-speaking Swiss have achieved a higher degree of cultural emancipation from Germany than have the French or Italian-speaking from France or Italy. German culture is in any case decentralized, as compared to French or Italian. A city like Zurich can hold its own, or at least try to, in cultural activities with Munich or Frankfurt or Vienna. Geneva or Lausanne cannot, obviously, compete with Paris. Besides, the Swiss-Germans speak a dialect (or rather a variety of dialects), which is both very different from their own written German and different from any other form of German spoken outside Switzerland. It is clearly a culturally cohesive element, whereas the accents of the French-Swiss "patois" have been relegated almost to the level of the music hall.

Other Differences

Besides language, there are of course other marked differences from one area of Switzerland to another. Religiously the country is almost exactly—although not neatly—divided between Catholics and Protestants. And then there are the economic facts of life. The economy of the Zurich canton is one hundred times larger than that of one of the smallest half-cantons.

And so it goes on. There are well developed and less developed areas, those with a high population concentration, those with a very low one, and, as a backdrop, the largely barren and poorly inhabited Alpine region.

The cantons of the Alpine region cover about 40 per cent of the total area of Switzerland, but with only 52 inhabitants per square kilometer, the population density is less than a third of the national average. A relatively higher percentage of the active population is engaged in agriculture, construction and the hotel business, but their average income is lower than elsewhere.

The rest of Switzerland may be divided—very broadly—into six regions. The powerhouse is undoubtedly the Zurich-Zug-Schaffhausen area, a narrow northwards sweep in the central part of the country. The population here, including Switzerland's largest town, Zurich, has increased fourfold since 1850, with more than one-third of the wage-earners employed in industry producing mainly machines and vehicles. But banks, insurance companies and commerce have also developed very quickly and, in terms of work places, now rival industry as the number one activity. Through its exports and its banking business the area contributes in no small degree to Switzerland's positive balance of payments.

A Crossroads

To the western side of the Zurich industrial complex lies the cantons of Aargau, Solothurn and the two half-cantons of Basel—again economically a very highly developed area. Northwestern Switzerland, which accounts for only 6.4 per cent of the total surface of Switzerland, contains nearly 18 per cent of the working population and produces almost a quarter of the national income. Aargau and Solothurn are considered to be the workshops of Switzerland, while Basel is both a very important commercial and financial center as well as being the headquarters of the extremely important Swiss chemical and pharmaceutical industry.

Basel, the site of the first bridge across the Rhine, has always been and still is a crossroads in the heart of Europe, with an intense flow of people, goods and ideas.

Further to the east, on the other side of Zurich, is what used to be the famed textile area of eastern Switzerland. But the textile and embroidery industries suffered a most severe setback in the 1930s and this area, in economic terms, has been progressing only slowly since the turn of the century. Its population today is barely more than 50 per cent higher than it was in 1900, while the population for Switzerland as a whole has almost doubled in the same period. The metal, machinery and machine-tool industries have developed particularly quickly here, while the textile industry still employs more than 25 per cent of the industrial workers.

The economic recession has hit this part of Switzerland as hard as almost any other, but the greater diversification making the present-day industrial picture has made it better equipped to withstand such shocks than it was in the 1930s.

Linguistic Frontier

These three areas, along with the central Alpine region and the large eastern Swiss canton of the Grisons account for nearly all of German-speaking Switzerland, apart from Bern, the federal capital, and its own extensive hinterland in the western-central plateau. Agriculture holds pride of place in this broad area, although it also includes the main watchmaking center along the foot of the Jura. The linguistic frontier with French-speaking Switzerland runs through part of this area, extending southwards through the cantons of Fribourg and the Valais.

The French-speaking cantons lie to the south and southwest. Here there is great diversity. On the one hand there are urban service-oriented cities like neva, or highly industria cities like Neuchâtel; on the c there are the essentially agr tural canton of Vaud and Alpine canton of Valais.

With 22 per cent of the Swiss population, the Fre Swiss cantons earn about same proportion of the nat income, but this is not th to industry. Only 18 per of Swiss industrial concerns based in this area and the r ber of people they employ is high proportionally than in rest of Switzerland. Ge weighs in with nationally most important banking and vice sector, in terms of the size, and the Valais canton duces a high level of in from tourism.

Rapid Expansion

Rather cut off from the of Switzerland by the barri the Alps, the Italian-spea canton of Ticino started o a rather sleepy, wine-gro vacationers' paradise. It still something of this reputatio spite of the incredibly rapid nomic expansion of the last years. The population incr by 50 per cent in 15 years apart from Geneva, the T has the highest number of dent foreigners and a very group of non-resident wor Development has been con trated in construction and expansion of the service ir tries, particularly banks w until recently cashed in on steady flow of funds from I

Right now the Ticino is fering both from the very s fallback in construction, the cline in tourism and the neri ness surrounding the futur its top-heavy banking estab ment.

Agriculture: Reliance on Self-Sufficiency

BERN (IHT).—For all its scenery and despite that hardy bit of Swiss folklore, the Alphorn-playing cowherd, Switzerland is one of the least agricultural countries in Europe. Barely more than 6 per cent of the country's total working population is engaged in farming. But this does not imply that agriculture is insignificant in terms of the Swiss economy. It produces an overall income of more than SF 6 billion annually and ensures that the country is about 60 per cent self-sufficient in farm produce.

This is the result of costly government intervention. Swiss agriculture would not have survived in the last thirty years had there not been strict limits on the imports of cheaper produce from abroad combined with an intricate pattern of subsidization aimed at providing the efficient farmer with an income in line with those prevailing in other sectors.

The basis for this has been an obsessive fear of having to rely on the outside world for food supplies. It was realized during the war that a surrounded Switzerland could be virtually starved into submission, and the federal government's agricultural policy, started on the basis of wheat supplies in 1932, has been built up to reach into every area of farming, implying strict price controls, rationalization of production and special incentives for farming in mountainous areas.

Friction

The result, by and large, has been highly successful although it has caused a lot of friction and, particularly, hard feelings on the part of the consumer. Indeed, there is a kind of running battle between the towns and the countryside, occasionally erupting into meat and butter boycotts on the one hand, and, on the other, farmers armed with pitchforks destroying truckloads of Italian fruit or tipping their own produce onto communal refuse dumps.

Hardly a month goes by without some incident or other of this kind gaining brief public attention. And although the Swiss people have generally accepted the need to protect agriculture, there is a sneaking suspicion that the farm lobby in Bern is altogether too powerful and that the farmers have been getting it all their way too long, particularly when one sees the astonishing prices sometimes reached for rezoned farmland sold to real estate developers.

Last year the government went on record to the effect that productivity had more than tripled since the Second World War—the result, largely, of the disappearance of many of the small and less profitable farming operations. These were absorbed into larger units and the high level of Swiss wages encouraged heavy mechanization where this was practicable.

As average acreage grew, the actual number of farms and small holdings declined dramatically. Out of some 206,000 in 1955, there were a bare 133,000 in 1975, while the total of those farmed on a full-time basis fell even faster—from 149,000 to 77,000. The number of full-time farm workers decreased even more spectacularly—down from nearly 275,000 twenty years ago to a mere 130,000 today.

Despite these changes, and a pretty significant move to the towns, especially by younger people, the actual acreage under farming has declined by only 5 per cent. Indeed, as a result of government efforts the amount of arable—as opposed to pasture—land has actually increased in certain areas, and the overall national total of such land under cultivation has risen from 260,000 hectares to 282,000 today.

Feed cereal acreage has increased very sharply (over 71 per cent) in the last ten years, while land under bread cereals has been run down by 24 per cent. But government plans, which are followed by the farming community, are for a significant increase in both types of cereal cultivation in the next five years.

The future, however, lies the highly mechanized, sop cated farm run along bu lines. It is likely that mo the remaining small opera now on part-time operation be absorbed into larger With today's average acreag a farm or smallholding of 10 hectares, some 42 per cen now run on this basis and one-man farm is the rul many areas. These people have to cooperate with neighbors to a larger extent pool equipment if they a survive as independent oper

For the cattle farmers, cows are still very much a c feature of the Swiss agricu scene, the future is unlike be spectacular. Govern plans are to stabilize the population at about 900,000 and with domestic consum of dairy products unlikely t prove significantly, this nu is probably more than enoug

Marginal Operation

Swiss cheese exports have fered heavily from the very rate of exchange for the franc, and the extremely domestic prices for beef and have led to a switch into and poultry. But even this ket is now nearing satur Demand for pork is not no pected to rise very much though poultry could still tinue to make modest gains.

Many of the marginal far operations are in the moun ous areas of the Ticino an canton of Valais, and the ir tance of maintaining the recognized for environmenta touristic reasons as well as of simply allowing the loca volved to continue living th they always have. But the ernment has less money ava than it would like for the su of mountain farming and ir eral instances townspeople in with their own contribu Swiss urban dwellers are much closer to the land their counterparts in other tries.

Special measures also ap Swiss vineyards. The total age of vineyards has beer tually stabilized at aroun level it was in the 1930s. even this still produces too in practical terms for the market. The reason is that wine is very costly compared imports from France, Italy, or as far away as Chile. A though the government ha come increasingly restrictiv setting limits on imports, n expects Swiss wines to do than merely hold the one- share of the indigenous m they now enjoy.

Economy Prey to Recession

(Continued from Page 1.)

bone or even selling at a loss, a further erosion of the position in traditional client markets, and significant unused capacity.

Last year Swiss exports jumped by nearly 11 per cent in value terms, and the first two months this year have produced figures 18 per cent ahead of the equivalent period in 1976. But in volume terms exports have declined slightly in the same period.

Still, sales abroad have provided the motor for the Swiss economy. The contribution of exports in real terms to the gross domestic product has risen from 28.2 per cent in 1974 to 31.6 per cent in 1976, reflecting mainly a considerable improvement in sales of textiles, clothing and chemicals. Capital goods have done less well in line with sagging world demand.

Domestically, private consumer demand, which fell in real terms from early 1974 to the middle of last year, is hardly likely to pick up significantly even though there are some positive signs.

The investment demand picture is also questionable, although on the face of it there is plenty of incentive for industry to engage in plant and equipment renewal. The lack of inflation and the virtual stability of the franc should have restored some degree of confidence, while imported capital equipment is still enjoying a cost advantage and credit is available on very easy terms. But with considerable unused capacity combined with relatively replete stocks following last year's buildup, the authorities can hardly expect much joy to come from this source.

Meanwhile, although monetary policy remains expansionary, if cautiously so, fiscal policy does not appear to have been generating the kind of demand in construction and capital equipment that was hoped for under supplementary reflation programs. The Swiss are having misgivings about pushing this line much further, although additional measures are under study at both federal and cantonal level.

There appears to be no easy way out of the problems caused by the combination of cyclical and structural factors largely responsible for the heavier downturn than that experienced in other countries in real gross national product. Industry seems to have managed to get by so far through penny-pinching rationalization, a trimmer, tightly belted approach to sales, and considerable adaptation.

The Big Question

Firms are not loath to sell their know-how where they cannot sell their wares, and determined efforts have been made to keep up or catch up with the latest technological developments. Expenditure on research is still relatively high.

The big question now is whether the Swiss franc can be held at a stable and acceptable level. Several of the harder hit sectors have been crying wolf for quite some time, although in fact they have not yet been pulled under by the "overvalued" Swiss franc. Now, however, it is widely recognized that a further sharp twist in the upward spiral could deal a fatal blow to many companies. The trouble is that the tools available to counterbalance further upward pressures are very limited. Exchange controls are firmly rejected. Market intervention by the national bank has obvious limits and it is becoming harder to provide incentives for capital exports.

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